Ontario

ANNUAL REPORT
# of the
PROVINCIAL AUDITOR
of
ONTARIO

for the year ended March 31, 1982

THE HONOURABLE JOHN M. TURNER, M.P.P.,

Speaker of the Assembly
Province of Ontario

Dear Sir:

I have the honour to transmit herewith my report for the year ended March 31, 1982, for submission to the Assembly in accordance with the provisions of section 12(1) of the Audit Act.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, September 30, 1982.

Copies available at $3.00 from the Ontario Government Bookstore, 880 Bay Street, Toronto for personal shopping. Out-of-town customers write to Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1A8. Telephone 965-6015. Toll free long distance 1-800-268-7540, in North-Western Ontario 0-Zenith 67200.

TABLE OF CONTENTS

GENERAL

	SECTION	PAGE
Introduction	1.1	9
Timetable for Preparation and Submission of Annual Report	1.2	9
Exception Basis of Reporting	1.3	9
Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports	1.4	10
The Standing Public Accounts Committee	1.5	10
Recommendations of the Standing Public Accounts Committee	1.6	11

COMMENTS ON MINISTRY OPERATIONS

	SECTION	PAGE
Introductory Comments	2.1	12
Summary of Audit Observations	2.2	12
Administrative Weaknesses re Significant Contract, Ministry of Agriculture and Food	2.3	15
Inadequate Follow-Up on Overdue Accounts Receivable, Ministry of Agriculture and Food	2.4	20
Control and Administration Deficiencies re Electronic Data Processing, Ministry of the Attorney General	2.5	21
Deficiencies in Purchasing and Accounts Payable, Ministry of the Attorney General	2.6	28
Operating Grants to Universities and Community Colleges, Ministry of Colleges and Universities	2.7	31
Administrative Defficiencies re Agreement with Canada, Ministry of Energy	2.8	33
Assessment of Internal and Management Controls at Computer Data Centres, Ministry of Government Services	2.9	36
Weak Mail Room Security, Ministry of Health	2.10	40
Opportunity for Increased Efficiency in Operations of Industry Development Program, Ministry of Industry and Tourism	2.11	41
Operational Matters Related to the Ontario Labour Relations Board, Ministry of Labour	2.12	43

	SECTION	PAGE
Initiatives for Improved Management Practices, Management Board of Cabinet	2.13	46
Review of Resource Allocation and Estimates Process, Management Board of Cabinet	2.14	48
Forest Fire Management Controls and Operations, Ministry of Natural Resources	2.15	53
Potential for Increased Revenue, Ministry of Natural Resources	2.16	59
Performance Appraisals and Merit Increases, Resources Development Policy Field	2.17	63
Weaknesses in Administration and Monitoring of Grants to Native People, Provincial Secretariat for Resources Development	2.18	64
Continuing Systems and Other Deficiencies re Payment of Ontario Pensioners Property and Sales Tax Grants, Ministry of Revenue	2.19	70
Insufficient Controls over Moveable Assets, Ministry of the Solicitor General	2.20	73
Provincial Funding of Minaki Lodge and Royal Ontario Museum Capital Projects, Various Ministries	2.21	76
Expenditure of Royal Commissions	2.22	80
Expenditure of Select Committees	2.23	82

COMMENTS ON CROWN AGENCY OPERATIONS

Introductory Comments	3.1	83
Summary of Audit Observations	3.2	83
Safeguards Needed re Loan Guarantees, the Development Corporations	3.3	85
Various Audit Observations, The McMichael Canadian Collection	3.4	86
Audit Observations, Office of the Ombudsman	3.5	89
Observations re Significant Production Agreement Costs, The Ontario Educational Communications Authority	3.6	90
Non-Arms Length Transactions, Ontario Food Terminal Board	3.7	91
Review of Computer Operations, Ontario Northland Transportation Commission	3.8	92
Lack of Due Regard for Economy, Ontario Place Corporation	3.9	94

SECTION PAGE

Control Weaknesses and Irregularities, Ontario Waste Management Corporation 3.10 97
Serious Deficiencies in Accounting and Internal Controls, Toronto Area Transit Operating Authority 3.11 100
Improvements in Delivery of Field Audit Services Recommended, Workmen's Compensation Board 3.12 101
Newly Established Crown Agencies 3.13 103
Inactive Crown Agencies 3.14 104
Subsidiaries of Crown Agencies 3.15 105

PUBLIC ACCOUNTS OF THE PROVINCE

Preparation of the Public Accounts 4.1 107
Financial Statements of the Province 4.2 107
Summary of Significant Accounting Policies 4.3 108
Advances and Loans Repayable from Annual Expenditure Appropriations 4.4 109
Loans Receivable Not Included in Statement of Assets and Liabilities 4.5 110
Advances to Ontario Energy Corporation 4.6 111
Payments Out of the Consolidated Revenue Fund 4.7 112
Voted Appropriations—Comparison of Authorized and Actual Payments 4.8 114
Statutory Appropriations 4.9 114
Statement of Budgetary Expenditure 4.10 116
Management Board Orders 4.11 117
Special Warrants 4.12 119
Board of Internal Economy 4.13 119
Write-Off of Uncollectible Accounts 4.14 120

OFFICE OF THE PROVINCIAL AUDITOR

Office Goals 5.1 122
Audit Responsibilities 5.2 123
Audit Activities 5.3 124
Comprehensive Auditing 5.4 126
Systems to Ensure Economy, Efficiency and Effectiveness 5.5 127
Audit of Transfer Payments 5.6 129
Crown Controlled Corporations 5.7 131

	SECTION	PAGE
Provincial Auditor's Reporting Process	5.8	132
Office Organization and Personnel	5.9	135
Staff Training and Professional Development	5.10	136
Meeting of Legislative Auditors	5.11	136
Examination of the Accounts of the Office of the Provincial Auditor	5.12	137

ACKNOWLEDGEMENTS 138

EXHIBITS

1. Sections of the Audit Act Relevant to the Responsibilities of the Provincial Auditor 140
2. Province of Ontario, Audited Financial Statements, Year Ended March 31, 1982 144
3. Management Board Orders—Amounts Authorized and Expended Thereunder, Year Ended March 31, 1982 157
4. Statutory Appropriations—Amounts Expended Thereunder, Year Ended March 31, 1982 173

Office of the Provincial Auditor:

5. Organization Chart 179
6. Ministry Audits and Special Reviews, Year Ended March 31, 1982 180
7. Agency of the Crown and Crown Controlled Corporation Audits, Year Ended March 31, 1982 182
8. Audited Statement of Expenditure, Year Ended March 31, 1982 185
9. Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports 187
10. Status of Recommendations Contained in Reports of the Standing Public Accounts Committee to the Legislative Assembly 192

1

GENERAL

1.1 Introduction

This Report has been prepared pursuant to section 12(1) of the Audit Act, which requires the Provincial Auditor's annual Report to be submitted to the Speaker of the Assembly not later than December 31st each year, provided that the Public Accounts have previously been laid before the Assembly.

Sections of the Audit Act relevant to the responsibilities of the Provincial Auditor are set out in Exhibit 1 of this Report.

1.2 Timetable for Preparation and Submission of Annual Report

To comply with section 12(1) of the Act, and to allow the required time for the preparation and printing process, our annual reports cover all audits completed to the end of each September. This Report, therefore, covers audit activity through the twelve month period from October 1981 to September 1982.

In this connection, as a result of printing deadlines, it is not possible to include in this Report any replies from ministries and agencies of the Crown which have been received subsequent to September 30. However, all such replies are forwarded by this Office to the Standing Public Accounts Committee of the Legislature after this Report has been tabled.

A complete description of the process leading up to the issue of this Report is contained in section 5.8.

1.3 Exception Basis of Reporting

When reading a report of this nature, it is important to recognize that it is, in many respects, a report by exception. Its purpose is to bring to the attention of the Legislative Assembly those matters which have been observed and are considered significant.

Reporting in this manner may unduly emphasize deficiencies without giving credit for the many circumstances in which no significant irregularities were observed. Indeed, several audits of ministries and agencies of the Crown conducted during the past year disclosed no matters of major significance to be reported. With certain other audits, although weaknesses and deficiencies were reported on, the program activities and systems reviewed, when taken as a whole, were found to be generally well controlled.

In accordance with section 12(2)(a) of the Act, we are pleased to report that we received all the information and explanations required in carrying on the work of the Office.

1.4 Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports

It is our practice to follow up on the status of suggested corrective action and recommendations at the time of our next audit of each ministry or agency of the Crown. The status of suggested corrective action and recommendations contained in our 1981 Report is indicated in Exhibit 9 of this Report. Exhibit 9 also provides an update on the status of corrective action and recommendations considered unresolved per Exhibit 8 of our 1981 Report.

1.5 The Standing Public Accounts Committee

Standing Order 91 of the Legislative Assembly requires that the Report of the Provincial Auditor and the Public Accounts be referred to the Standing Public Accounts Committee as they become available. This Committee, which is appointed for the life of each Parliament, currently consists of twelve members, with Committee membership proportional to the respective Party membership in the Legislature. As has been the case since 1968, the Chairman is a member of the Official Opposition Party.

The Public Accounts Committee plays an important role in the process of accountability for public funds by focusing attention on areas of concern to the Legislative Assembly and to the public. The Committee provides the forum to which officials of ministries and agencies may be called to account for the legality and prudence of government expenditures and the establishment of proper administrative policies and procedures.

Reference was made in our 1981 Report (section 1.6) to the formation of the Standing Public Accounts Committee for the First Session of the Thirty-Second Parliament which commenced on April 21, 1981, and to the Committee's activities prior to the adjournment of the Assembly for the summer recess. Upon the return of the Legislature from the summer recess in the fall of 1981, the Committee resumed its activities. Eight meetings were held during the months of October to December 1981. The Committee submitted its final report for 1981 on December 14, 1981. Upon receiving the authorization of the Assembly to meet in respect of the 1981 Report of the Provincial Auditor and the Public Accounts during the interval between sessions, the Committee had a further six meetings in January and early March 1982.

After commencement of the Second Session of the Thirty-Second Parliament on March 9, 1982, the Committee held fourteen meetings during the months of March to June, prior to adjournment of the Assembly on July 7, 1982 for the summer recess. Arising from the Committee's March 5, 1982 meeting, an interim report was submitted to the Legislature on March 11, 1982.

1.6 Recommendations of the Standing Public Accounts Committee

For informational purposes, Exhibit 10 of this Report provides the current status of recommendations contained in all Reports of the Standing Public Accounts Committee from July 10, 1975 to December 9, 1980, to the extent that such recommendations were considered unresolved by the ministry or agency per Exhibit 9 of our 1981 Report. Exhibit 10 also summarizes the current status of all recommendations contained in the Committee's December 14, 1981 and March 11, 1982 Reports to the Legislature.

With regard to the preceding, it should be noted that although certain Committee recommendations have been asterisked as being considered resolved per Exhibit 10, this does not necessarily mean that the recommendations have been resolved to the Committee's satisfaction. For example, the Committee's December 14, 1981 Report recommended that "All performance appraisals for Government employees should be done in writing and appended to the employees' personnel files."

In response to this recommendation, the Chairman of the Civil Service Commission wrote on February 3, 1982 to advise that, based on research, and to promote the most meaningful discussions between the supervisor and subordinate, the Commission *"consciously refrained from requiring written appraisals as part of the government-wide policy."* Part of the Commission's implementation strategy for performance appraisals was stated as being to *"down play formal requirements: forms, mandatory documentation, etc."*

Hence, as far as the Commission is concerned, the Committee's recommendation is resolved; however, this response may not necessarily be satisfactory to the Committee.

2

COMMENTS ON MINISTRY OPERATIONS

2.1 Introductory Comments

Most of the comments contained in this segment of the Report pertain to audit observations and recommendations resulting from ongoing ministry audits and special reviews. The audits on which the comments are based were completed since the date of our last Report and are listed in Exhibit 6.

2.2 Summary of Audit Observations

The following summary is presented in order to provide the reader a brief overview of the audit observations contained in this chapter. For our detailed observations and recommendations, reference should be made to the relevant detailed sections of this chapter.

Ministry of Agriculture and Food

(2.3)
- The major portion of charges to the Ministry under an agreement with the University of Guelph could not be assessed for reasonableness, since they were based on estimates.
- No documented criteria were used to identify research projects under the agreement and to establish priorities.
- There was a lack of satisfactory project control and procedures to report on the extent to which research projects were used by the agricultural industry.

(2.4)
- Follow-up of delinquent accounts receivable for laboratory tests was deficient.

Ministry of the Attorney General

(2.5)
- Overall EDP planning needed more attention from top management.
- System development activities as well as physical and data security within the Finance and Services Branch required strengthening.
- A concerted effort is required to resolve the problem of back-up and disaster preparedness.

(2.6)
- Controls over certain components of the Ministry's purchasing and accounts payable system required improvement.

Ministry of Colleges and Universities

(2.7) • Audited financial statements of universities and community colleges can be used to assess whether operating grants were spent for the purposes intended.

• Although the Ministry has started to develop measures to assess how well community colleges were utilizing grants, no such measures had been developed for grants to universities.

Ministry of Energy

(2.8) • The Ministry was not promptly recovering the federal government's portion of expenditures under an agreement, nor had the effectiveness of the relevant program been evaluated.

Ministry of Government Services

(2.9) • An up-to-date backup and disaster preparedness plan was lacking for all three major data centres of the Ministry.

• Internal controls over documenting, authorizing and implementing system changes were in need of improvement, as were procedures for project administration and accounting controls.

• Sound internal controls over various security aspects of the data centres were in place and being followed.

• Operations at the data centres were conducted in an economical and efficient manner, and planning activities were being directed and implemented in a positive and effective way.

Ministry of Health

(2.10) • Security measures were inadequate to prevent unauthorized access to cheques and other sensitive material at the Ministry's mail room in Toronto.

Ministry of Industry and Tourism

(2.11) • The basis of allocating consultants to, and sometimes within, Ministry area offices needed to be refined.

Ministry of Labour

(2.12) • Fees due the Ontario Labour Relations Board for certain hearings were often being undercharged or not charged at all.

• The Board's word processing capability could be expanded to achieve additional economy.

Management Board of Cabinet

(2.13) • Continued progress is being made regarding the Management Standards Project, the MBR Improvement Project and in implementing the report of the Task Force on Audit Policy.

(2.14)
- One of the Secretariat's responsibilities, "ensuring adequate results accountability in all program activities through effective Managing by Results reviews", was not achieved for the 1981-82 Estimates review of a major ministry, the Ministry of Health.
- During the 1982 fiscal year, Management Board Orders totalling about $102 million were issued when the Legislature was in session.

Ministry of Natural Resources

(2.15)
- The Ministry should be commended on the manner with which the many problems associated with forest fire management and control were being addressed.
- The coordination and management of aircraft hire and operations was weak.
- Procedures to report on the effectiveness and efficiency of forest fire management and control were not completely in place.

(2.16)
- Significant income is being lost, since mining taxes are not required to be paid on an instalment basis similar to federal and provincial income taxes.
- Rates charged for acreage taxes and mining leases have remained unchanged since 1962.
- Deficiencies were noted in the monitoring of revenue from hunting and fishing licences.

Resources Development Policy Field

(2.17)
- Only 22 of approximately 5,200 ministry employees in this Policy Field eligible for merit increases during the 1982 fiscal year had such increases deferred.

Provincial Secretariat for Resources Development

(2.18)
- No formal agreement existed between the Federal and Provincial governments as to their respective roles in providing services to Native people. This could lead to duplication of effort or unnecessary funding by the Province.

Ministry of Revenue

(2.19)
- Certain of the deficiencies outlined in section 2.20 of our 1981 Report pertaining to the payment of property and sales tax grants to senior citizens continued to exist.

Ministry of the Solicitor General

(2.20) • Controls over moveable assets were not satisfactory.

Capital Projects, Various Ministries

(2.21) • The Province's total investment in Minaki Lodge Resort Ltd. amounted to $21.8 million at March 31, 1982. When the current construction project is completed, the total investment is expected to be approximately $28.4 million.

- This amount does not include the costs of ancillary projects related to Minaki Lodge, estimated to be $16.7 million.
- Construction related to The Royal Ontario Museum renovation/expansion project is expected to be completed in December 1982, with total capital costs estimated at $56.85 million.
- This amount does not include certain overhead costs which exceeded $700,000 at March 31, 1982. It also excludes any provision for additional costs related to gallery exhibit development, planned during the period from October 1982 to February 1984 at an estimated cost of $2.75 million.
- In June 1982, the Museum had identified $53.83 million as being the total amount of funds available to date for the project, including future pledges and commitments.

2.3 Administrative Weaknesses re Significant Contract, Ministry of Agriculture and Food

During the year, pursuant to the Deputy Minister's request, we completed an audit dealing with various aspects of an agreement between the Ministry and the University of Guelph. The objectives of our audit included assessments of whether financial controls exercised by the University and Ministry were adequate, and whether a satisfactory control process existed for research programs and projects undertaken by the University on behalf of the Ministry.

Our findings resulting from this audit were as follows:

- Charges made under the agreement for salaries, benefits and overhead were based on time estimates, since the University did not maintain records of actual time spent on services provided. We were therefore unable to determine the appropriateness of the majority of the total expenditure charged under the agreement for the 1982 fiscal year.
- Based on tests performed on other direct operating expenses, we were satisfied that they were incurred for purposes of the agreement.

- **It would be more economical for the Ministry to purchase certain items directly, thus avoiding being charged for overhead by the University.**
- **No documented selection criteria were used by the University to identify research projects and establish priorities.** We were therefore unable to assess the reasonableness of this process.
- **Satisfactory project control did not exist, since budgets, time check points and completion dates were not established when research projects were undertaken by the University.**
- **Satisfactory procedures were not in place to report on the extent to which benefits of research projects were used by the agricultural industry.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

Under an agreement dated June 1968, the University of Guelph conducts research, extension and special services and educational programs on behalf of the Ministry of Agriculture and Food. Research programs conducted under the agreement are aimed at strengthening the food system in Ontario. Generally, the programs are designed to improve the plants and animals basic to food production and to develop more efficient techniques for the use of land, water, energy and other resource inputs.

The Ministry pays all direct costs of approved programs plus overhead costs that are mutually agreed to. Overhead costs are billed at 40 per cent of all direct operating expenses.

The emphasis of our review was placed on research programs, since these account for more than 80 per cent of the charges under the agreement. Total expenditure incurred under the agreement by the Ministry for the 1982 fiscal year was $20.5 million. The majority of this expenditure was charged to the Ministry's Agricultural Education and Research Program.

Salaries and Benefits

For the period May to December 1981, expenditure for salaries and benefits amounted to $7.7 million or about 84 per cent of the total direct operating expenses of $9.2 million. This expenditure represented salaries and benefits paid by the University to faculty and support staff for work performed related to the Agreement.

When faculty and support staff were hired by the Chairman of the Department of the University, the amount of time which they would spend on activities related to the agreement or to the University was established. **There was no requirement that staff should submit time reports on actual time spent on work done related to the agreement.**

In the absence of reports identifying actual time spent on programs funded by the

Ministry, there was no assurance that expenditure incurred related to work performed under the agreement. Conversely, the University functions could be overcharged.

We recommended the Ministry ensure that the University maintains records of time spent by staff on activities related to the agreement.

Overhead Costs

Under the agreement, the University recovers overhead costs on programs funded by the Ministry through an overhead charge. The charge was established at 40 per cent of direct operating expenses in correspondence dated February 3, 1976 between officials of the Ministry and the University. This rate was justified each year through calculations done by the University when the budget for that year was determined.

Overhead costs charged to the agreement for the 1981 fiscal year and the period May 1981 to December 1981 were $5.3 million and $3.7 million respectively.

We performed a review of the calculations used by the Comptroller's department of the University to allocate the 1981-82 budgeted overhead expenditure between activities related to the agreement and to the University's functions.

Overhead costs were allocated, where applicable, in two stages. For example, the costs for physical resources such as heating, lighting and housekeeping were first allocated to the University's departments on the basis of square footage. These calculations were done by qualified personnel outside the Comptroller's department.

We felt that the bases of allocation of significant items were appropriate.

Secondly, all overhead costs for these departments were distributed to the University's functions and to activities related to the agreement on the basis of an estimate of time (man years) to be spent on activities related to the University and the agreement. **We felt that this basis of distributing all overhead costs by man years was appropriate. However, since records of actual time spent by the University's staff on activities related to the agreement were not maintained, we could not assess the reasonableness of the time estimates used.**

Purchases

All purchases (direct expenses) made by the University under the agreement were increased by the overhead rate of 40 per cent. Items purchased were mainly used in research work carried out at the research stations and the University's laboratories.

Our review of certain items purchased by the University revealed **it would be more economical for the Ministry to purchase these items directly and avoid overhead costs.**

For example, the University purchased the following items from a few suppliers in the 1981 fiscal year:

	$
Feed	205,379
Soil, seed and fertilizer	120,561
	325,940
Overhead (40%)	130,376

We therefore recommended the Ministry review all purchases made by the University under the agreement, and where practicable, purchase items directly so as to minimize overhead costs.

Project Selection

Research projects are identified and selected by faculty members (scientists) in consultation with their respective Department Chairman and Program Coordinator. We were advised that projects selected are those which best achieve the goals and objectives of the program.

As part of the research project identification process, faculty members are required to describe the objectives and expected benefits to be derived by the agricultural industry before projects are approved. All projects require the approvals of the Department Chairman, College Dean and Associate Director of Research of the University of Guelph.

In our discussions with the Director of Research, at the University, we were informed that **no documented selection criteria are used to identify research projects and establish priorities.** However, department Chairmen, having a knowledge of their field of science, evaluate project proposals and establish priorities.

We were therefore unable to assess the reasonableness of the process used for identifying and selecting projects. **We felt that formal written criteria are necessary to demonstrate to the Ministry and other interested parties that decisions are made on a rational basis.**

We recommended that criteria for identifying and setting priorities be established in writing and documentation be maintained showing the extent to which selected projects meet these criteria.

Program Funding and Project Control

Research work undertaken by the University consists of a grouping of related projects designed to meet the objectives of the program. For example, the Beef Cattle Program would involve research work on several projects to meet the objectives of the program.

Each year, the University forwards a program proposals plan to the Ministry indicating the budget required to maintain the programs for the current year. The program proposals plan includes a distribution of estimated costs for each program for the current year. The Ministry reviews the budget request by function, makes adjustments and approves. The University then distributes the approved budget to the various programs. No further distribution is done at the project level.

Research project budgets and time limits, except an outer time frame of three years for completion of each project, are not established when projects are approved by the University. We observed that budget and time schedules were required for research projects sponsored by the Government of Canada.

Since budgets and completion dates were not established at the outset, satisfactory project control did not exist.

We recommended, where practicable, that budgets and estimated completion dates be developed for research projects undertaken on behalf of the Ministry. Also, costs should be controlled against budgets and time check points established for reviews of progress of research projects.

Procedures to Report on Effectiveness

We felt that the use made of research work by the agricultural industry was essential information for further research program funding. Although as part of the project identification process, expected benefits to the industry are required to be stated, **we observed no evidence of follow-up done to determine whether these benefits were used by the industry.**

The University's efforts, in this area, did not extend beyond making results/recommendations available to the Ministry and agricultural industry in the form of publications.

Our review of the minutes of the Agricultural Research Institute of Ontario meetings for the period March 1980 to December 1981 indicated that discussions did not cover whether research benefits were used by the agricultural industry. These discussions were mainly concerned with appropriateness of programs' objectives and need for research.

In our discussions with the Director of Research at the University, we were informed that in future the University would be gathering data on benefits of selected research programs/projects and the data would be used to support the University's budget request to the Ministry.

In our opinion, satisfactory procedures were not in place to report on the extent to which benefits of research programs/projects were used by the agricultural industry.

We therefore recommended that the Ministry ensure that procedures are developed, where feasible, to report periodically on the benefits of research to the agricultural industry.

The following comments were received from the Deputy Minister of Agriculture and Food on September 22, 1982:

> *"I have reviewed your report of the above audit and, in general, find it quite acceptable. Ministry staff will be meeting shortly with officials from the University of Guelph to discuss the report and to consider how best the recommendations can be implemented in their entirety or in part."*

2.4 Inadequate Follow-Up on Overdue Accounts Receivable, Ministry of Agriculture and Food

An audit of the Ministry of Agriculture and Food included an assessment of collection procedures related to veterinary laboratory services accounts receivable. We found that:

- **The timeliness and effectiveness of procedures for the follow-up of delinquent accounts needed improvement.**
- **The weekly accounts receivable error report was not complete.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

Laboratory test services are provided to veterinarians and other individuals at six locations throughout Ontario. Reports are prepared at the various laboratories for services performed and billing information is sent to the Ministry's Accounts Branch for production of customer statements and the updating of the EDP accounts receivable ledger. Total Ministry revenue for veterinary services was $540,000 for the year ended March 31, 1982 (1981, $511,000).

Collection Procedures

We noted that **approximately $55,000 of the $118,000 total accounts receivables for laboratory tests outstanding at September 30, 1981 was over 3 months old** and furthermore, **a significant portion of this $55,000 had been outstanding over twelve months.**

For overdue receivables, the Accounts Branch attempts to send out reminder notices. For receivable accounts under $50, no further collection attempts are made after two reminder notices have been sent out. For accounts over $50, the second reminder notice states that the account will be referred to the Central Collection Services, Ministry of Government Services unless payment is received shortly.

We noted that **significant delays were occurring in the follow-up of overdue accounts.** For instance, for accounts under $50, no reminder notices were sent out from March to late November, 1981.

The timeliness and effectiveness of collection follow-up procedures needed to be improved and we suggested that the following procedures be given serious consideration by management:

(1) The EDP software be revised so that the system would automatically produce first and second reminder notices on overdue accounts.

(2) The local veterinary laboratories become more involved in the follow-up of delinquent accounts. For instance, on a monthly basis the laboratories could be provided with a listing of all significantly overdue accounts in their area, with instructions that new business should not be accepted from any of the customers on the list until the outstanding balance is paid. Secondly, those customers with long outstanding balances should be telephoned to inquire as to why their accounts were significantly overdue.

Error Report

The Accounts Branch receives a weekly error report which is used as the source document in identifying and correcting all data input errors relating to the billings and update of the accounts receivable ledger. This error report lists errors for the current period only and accordingly, any errors not corrected in the previous period could remain undetected.

We recommended that the EDP software be revised so that all uncorrected errors, not just those occurring in the latest period, are identified on the error report.

On June 29, 1982, the Deputy Minister of Agriculture and Food advised us that *"We are improving procedures for the follow-up of delinquent accounts."*

2.5 Control and Administration Deficiencies re Electronic Data Processing, Ministry of the Attorney General

During the year, we completed a review dealing with an assessment of various aspects of internal and management controls associated with the electronic data processing (EDP) activities of the Ministry of the Attorney General. Our review encompassed overall Ministry policies and practices, and also the systems employed by the Finance and Services Branch as well as the Information and Computer Systems Branch.

The major conclusions we reached were as follows:

- Overall EDP planning within the Ministry was not receiving sufficient attention from top management.
- There were major weaknesses in the system development activities of the Finance and Services Branch.
- Physical and data security within the Finance and Services Branch required strengthening.
- Written procedures regarding computer program changes were lacking in the Information and Computer Systems Branch.

- **A concerted effort is required to resolve the problem of back-up and disaster preparedness.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

Preliminary meetings with Ministry officials indicated that EDP not only impacted the Finance and Services Branch, but was also being employed in Courts Administration.

Following further investigation, we became aware of the fact that while the Finance and Services Branch did refer to the Information and Computer Systems Branch for advice and guidance, they in effect managed and controlled their computer systems autonomously, down to setting their own standards, employing their own programmer and operating their own computer hardware. We therefore conducted our review on two separate entities, Finance and Services Branch and the Information and Computer Systems Branch coupled with the Courts Administration area.

Ministry Policies and Practices—Planning

At the time of our review, the Ministry had a number of EDP applications being processed at both Queen's Park and Downsview Computer Centres, and supported by the Information and Computer Services Branch. In addition, there was an in-house mini-computer being utilized by the Finance and Services Branch to process related financial applications.

The bulk of all the above applications had been in operation since the early to mid 1970's and considerable effort was being expended on tactical planning to upgrade and modernize them.

The main drawback to these tactical planning exercises was the absence of an overall strategic plan for EDP in the Ministry as a whole against which the specific needs of the various departments could be assessed, priorities established and the integration of systems determined. Such a plan should clearly define the Ministry's long-range goals and objectives and be approved by senior management.

The aggregate expenditures on EDP for the 1982 fiscal year in the Ministry were estimated at $3.7 million. Adequate plans, policies, procedures and management controls are essential for maintaining proper accountability and the economical and efficient use of EDP resources in achieving Ministry goals and objectives.

We therefore recommended that:

1. Top management enunciate a data processing policy for the Ministry.
2. Long-range plans, in line with the Ministry's objectives, be prepared for the EDP functions.

3. A formally constituted Steering Committee of senior management personnel be assembled to:
   (a) approve changes to the Strategic Plan which will undoubtedly occur from time to time; and
   (b) approve, monitor and control the implementation of Tactical Plans developed in support of the Strategic Plan.

Finance and Services Branch

a) Application Systems Development

Applications systems development services were being performed under an agreement with a programmer on a part-time basis. The programmer normally worked at home and by using a portable terminal and an accoustic coupler with dial up facilities, could access the Ministry computer at any time. Instances occurred where the programmer remained connected to the computer for several days.

Further investigation into this mode of operation revealed the following major weaknesses.

1. **It was virtually impossible to verify the hours that the programmer actually worked.** A chargeable time report was submitted every two weeks listing the number of hours worked and the application worked on but there was no way that these could be checked as there were no formalized computer program change control procedures.
2. **The programmer had a key to the computer room and had access to the computer 24 hours per day.**
3. **Documentation of the system was poor and in some cases non-existent.** A review was conducted of the 26 program module binders which were in the computer room. 13 were empty, i.e. contained no documentation, 3 had minimal documentation, and the remaining 10 had some documentation but none of this was completely up to Ministry standards.
4. The lack of good documentation coupled with the fact that there was only one knowledgeable programmer could leave the Ministry in a very vulnerable position should anything happen to that programmer and the system develops problems.

We recommended that:

1. Consideration be given to having application systems development services provided by the Information and Computer Systems Branch of the Ministry to alleviate the dependence on one individual.

2. User management insist that program documentation be defined as an integral part of any new application or modification for existing ones and that the systems or changes not be accepted until these are tested and a complete package is delivered to the user.

3. Programming standards be developed and enforced.

b) Security, Back-up and Disaster Preparedness

The physical security of the computer room was weak. Although the door to the room was fitted with a dead bolt lock that could only be opened from the outside with a key, there was an unlockable sliding window through which entry to the room could be easily gained.

Fire protection was virtually non-existent. There were no smoke/heat sensors in the computer room nor were there any hand held fire extinguishers available. According to procedures and a posted notice on the door of the computer room smoking was not permitted in that area; however, we observed during the audit that this rule was not being enforced. **In addition the floor fire alarm cannot be heard in the computer room.** Personnel interviewed were not aware of what action they should take in case of fire.

With regard to data security, **no log-on password protection was provided for systems operations.** Since the mini-computer being used normally has systems security password protection built in, it must have been removed from the equipment at some time.

Application password protection is a programming function but the access level should be determined by user management. There was **no password protection for any of the applications used by this branch.**

There was no written disaster preparedness plan, nor had alternate processing facilities been identified and negotiated for. Should a disaster occur necessitating the use of alternative processing facilities, the branch would be in a very vulnerable position.

We recommend that:

1. The computer room be physically secured as soon as practicable.

2. Fire protection be strengthened by:

   —the acquisition of a portable fire extinguisher for the computer room;

   —emergency procedures being written down and all personnel becoming familiar with them;

   —action being taken to ensure the building fire alarm can be heard in the computer room; and

   —insuring that the No Smoking rule is strictly enforced.

3. Log-on password protection be installed to prevent unauthorized use of the computer.
4. Application password protection, as deemed necessary by user management, be instituted to prevent unauthorized access to data.
5. A disaster preparedness plan be written and distributed to all interested parties. Such a plan should address hardware, personnel, input/output processing, transportation, documentation, forms, programs, etc.

Information and Computer Systems Branch (ICSB)

a) Computer Program Changes

The main emphasis of our review in this area was centred on the systems support activities for the utilization of the CYCLOPS system, which is an EDP application system for court office administration in the Judicial District of York.

We reviewed in detail the change control procedures for the CYCLOPS system. **We observed that there were no written procedures or instructions for properly documenting these changes.** As a result, we found that a number of the change specification forms were not completely filled-in or properly authorized.

We recommended that:

> ICSB develop, document and institute a formalized systems change procedure to improve internal control in this area. These procedures should specifically address the question of authorization for the implementation of changes in order to maintain the principle of segregation of duties.

b) Back-up and Disaster Preparedness

We reviewed the management controls over the contingency planning and disaster preparations with regard to file back-up and assignment of responsibilities and procedures, for each of the systems within the Ministry.

The Information and Computer Systems Branch had recently undertaken a complete review of the emergency maintenance and disaster recovery plans for applications over which they had responsibility. Personnel responsible for each system had been identified and necessary actions had been initiated by ICSB management to develop discrete procedures.

We were unable to find any clear cut delineation of responsibilities between the Ministry of the Attorney General and the Ministry of Government Services (MGS), (who perform the actual processing of the applications) as to who was responsible for backing up and providing data files in the event of disaster. This assignment of responsibility becomes critical particularly in an on-line data base environment.

The whole question of back-up and disaster preparedness when the actual processing is carried out by an agency outside the Ministry (either MGS or a Service Bureau) is very complex. Under these conditions it is imperative that definitive responsibilities of each party are clearly written down and agreed to by all parties. Our discussions with other ministries have indicated that **this may be more of a government wide problem,** and we have voiced this concern to the Director of the Management Technology Branch of the Management Board Secretariat and also the Executive Director of the Communication and Computer Services Division of MGS.

Nevertheless, we felt that a solution to this very complex problem should be given high priority, particularly in view of the future enhancement plans for the Courts Administration systems. The resolution of this problem should, at a minimum, involve user management, ICSB, MGS Data Centre(s) management, and possibly Management Technology Branch of the Management Board Secretariat.

We therefore recommended:

1. The Ministry of the Attorney General negotiate a written contract with MGS which, amongst other items, clearly stipulates back-up responsibilities of the various parties.
2. ICSB, in conjunction with user management develop a back-up and contingency plan based on the above negotiated agreement.

The Deputy Attorney General wrote to us on July 14, 1982 and advised that:

Ministry Policies and Practices—Planning

> *1. "Co-ordination and Policy concerning data processing is now being developed and continuing emphasis on its development and modification will be handled through the Senior Management Committee.*
>
> *2. "We are in agreement with your recommendation and are commencing action on this matter.*
>
> *3. "The Steering Committee is in place as per your recommendation."*

Finance and Services Branch

a) Application Systems Development

> *"In dealing with the recommendations . . . as a group, a tender led to the completion of a contract with a software house to provide a second source of programming expertise. Part of the project covered the implementation of a programme selector utility which permits a security system to be installed and which generates improvements in programme documentation. Furthermore, this selector utility will provide a daily printout of all*

activity on the system at all levels of authorized access, including the number of hours the fee programmer was working in the system. These initial reports have some gaps and inconsistencies which are now being sorted out by the software house.

"The problem concerning the stated lack of documentation relates to old applications that were put in place some years ago and the cost in terms of time, effort, and money which would need to be expended to create the appropriate documentation for eight year old files would be prohibitive when considering the return we would obtain. However, the 3 (three) new systems put in place during the last year are fully documented and meet the recommendations contained within the Audit Report as they pertain to this matter.

"We have ordered a set of programming standards from our software house and as soon as these are developed and delivered, they will be put into place."

b) Security, Back-up and Disaster Preparedness

1. *"The computer room has been physically secured and where possible we will be installing special combination door locks in order to limit access to the general area of all computer installations.*

2. *"Fire extinguishers are in place. A written notice will be placed in a visible location instructing staff on fire procedures. However, the architect has informed us that it will not be possible to place a fire alarm in the computer room and therefore alternative warning methods will need to be developed.*

3. & 4. *"These recommendations have been implemented as part of the implementation of the sector utility.*

5. *"We are currently formulating a disaster preparedness plan as per your recommendation."*

Information and Computer Systems Branch

a) Computer Program Changes

"We have instituted a system whereby the user is notified of problems or potential problems. The user then completes a requisition for the work to be undertaken. This requisition includes the date of request, nature of the request and probable completion dates. Under this procedure nothing is undertaken without the full knowledge and approval of the user."

b) Back-up and Disaster Preparedness

> *"Under the current circumstances it is not possible for the Attorney General to negotiate a written contract with M.G.S. concerning back-up responsibilities for the following reasons:*
>
> 1. *We feel this situation to be a Government wide problem and the policy surrounding it to be beyond the jurisdiction and scope of the Ministry.*
> 2. *While our data is secured via back-up systems, the hardware necessary to process the back-up data does not exist within M.G.S. Therefore, under this current situation it would not be possible to process data if a failure should occur in the M.G.S. hardware. Again, we feel that this is a Government wide responsibility and that any policy in this area should be developed by M.G.S.*
>
> *"In addition to the above comments we feel that it might be appropriate for the Office of the Provincial Auditor to bring these concerns to the attention of M.G.S. in order that a co-ordinated Government policy might be developed. Our Information and Computer Systems Branch personnel would be willing to assist M.G.S. wherever possible in the development and implementation of such a policy. Notwithstanding the above comments, we have been in touch with both M.G.S. and Management Technology Branch of the Management Board of Cabinet with respect to this matter and we will be pursuing this issue further."*

With regard to the final paragraph of the preceding reply, reference should be made to section 2.9 of this Report.

2.6 Deficiencies in Purchasing and Accounts Payable, Ministry of the Attorney General

One of the objectives of our most recent audit of the Ministry of the Attorney General was to evaluate the adequacy of the Ministry's purchasing and accounts payable system, in order to ensure compliance with established policies and procedures.

Although we found controls to be generally satifactory, the following areas were found to be in need of improvement:

- **A reassessment of recording and controlling of the Ministry's long distance telephone charges was needed.**
- **Communication between the Purchasing and Accounts Payable Sections could be strengthened.**

- **Excess costs were being incurred on rental of cars by certain Ontario Municipal Board members.**

DETAILED FINDINGS AND RECOMMENDATIONS

Details of the preceding findings, together with the Deputy Attorney General's response of May 7, 1982, are contained in the succeeding paragraphs.

Telephone Expenses

Telephone expenses for the year ended March 31, 1982 amounted to approximately $2.3 million (1981, $1.9 million). Our review of telephone expenses for the period ended November 30, 1981 indicated the following:

—The expense allocation of telephone expenditures served no purpose. **Long distance and service charges were not coded to separate accounts thus making analysis and control of these charges difficult.**

We recommended that all long distance and service charges be coded to separate accounts to facilitate better analysis and control.

—Bills for long distance calls made by Metro Toronto Branches were sent to the branch offices for their approval, but **no follow up was being done by the Finance and Services Branch to ensure that all bills were duly approved and returned.**

We recommended that the Finance and Services Branch control all such telephone bills sent for approval to the branch offices.

—The Ministry's Manual of Administration, section 1.6.1., states that "whenever possible, the government long distance network should be used . . . only when these lines remain busy after several attempts should urgent calls be placed over the regular long distance telephone lines".

We noted that approximately 25% of the long distance costs of $117,000 for the Metro Toronto Branches for the 1981 fiscal year, were for calls made to centres serviced by the inter-city lines, a figure which suggested the need for more diligence in using the government long distance network.

We recommended that long distance charges be carefully reviewed by all branch offices for reasonableness. Employees should be encouraged to use the government long distance network, whenever possible, and, for better control, to complete the standard "Long Distance Telephone Call Record" forms used within the Provincial Government.

Ministry reply:

"In essence the comment contained within the Audit Report seems to suggest that increased involvement by programme managers is needed in reviewing and controlling long distance telephone charges.

"Currently, each manager receives a copy of the monthly long distance listing for his/her approval. However, in order to rectify the apparent deficiency outlined in the Audit Report we are instituting measures whereby respective long distance bills will be forwarded to managers for verification on a negative confirmation basis and establishing expense codes to separate long distance from service charges. In addition, we are arranging to notify managers of the availability of the 'Long Distance Telephone Call Record Form' for control purposes, and monitoring use of long distance services."

Purchase Orders

We noted several instances where amounts and/or terms stated on the invoices recommended for payment differed from those stated on the supporting purchase orders.

We recommended that the Purchasing Section, in keeping with the Ministry's purchasing procedures, forward copies of purchase order amendment forms to the Accounts Payable Section whenever there is a change to the original purchase order.

Ministry reply:

"While our review of this situation does not indicate the problem to be of a significant nature, we have commenced action to investigate the nature and extent of the variance in order to reduce errors to a minimum. The Director of our Finance and Services Branch will be holding biweekly meetings for the next month or so in order to determine whether any corrective action is needed. In addition, specific procedures will be introduced to ensure that there is a matching of purchase orders and invoices prior to invoices being approved for payment."

Rental of Cars

Excess costs were being incurred on car rentals by certain Ontario Municipal Board members. The Ministry bears unnecessary charges for additional days when **rental cars are picked up on Fridays or weekends for business use in the week following.** Our tests, covering the 1981 fiscal year, revealed 11 such instances involving two Board members.

We recommended that these extra costs with respect to rental cars be avoided wherever possible.

Ministry reply:

"The issue concerning the use of rental vehicles by O.M.B. members on weekends has been rectified. The Chairman of the Ontario Municipal Board has been notified that weekend rentals

should be utilized only in those instances in which the circumstance warrants such an action. The Finance and Services Branch shall continue to monitor this situation in order to ensure maintenance of this policy."

2.7 Operating Grants to Universities and Community Colleges, Ministry of Colleges and Universities

An objective of a recent Ministry audit was to determine if the Ministry had procedures in place to assess:

(a) whether operating grants provided to universities and community colleges were spent for the purposes intended, and

(b) whether such grants were spent with due regard to economy, efficiency and effectiveness.

We concluded that:

- **The audited financial statements submitted by the universities and community colleges can be used to assess whether operating grants were spent for the purposes intended.**
- **The College Affairs Branch has started to develop some measures to assess how well the community colleges were utilizing funds made available, but the University Relations Branch had not developed any such measures regarding operating grants to universities.**
- **Although regulations have been approved requiring community colleges to have operational reviews done once every three years, terms of reference had not yet been developed for these reviews. No such reviews were planned for universities.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

Operating grants to the Province's twenty-two universities and twenty-two community colleges are administered by the University Relations Branch (URB) and College Affairs Branch (CAB) of the Ministry. Staffing for URB and CAB consists of 12 and 43 employees respectively. Additionally, two independent bodies, the Ontario Council on University Affairs (OCUA) and the Council of Regents for Colleges of Applied Arts and Technology (Council of Regents) provide the Minister with funding advice concerning operating grants.

Operating grants are distributed to the institutions according to a formula based on weighted enrolments. For the 1982 fiscal year, operating grants to universities and community colleges amounted to $923.5 million and $349.4 million respectively. These payments in total represent about 75 per cent of Ministry expenditure.

Accountability for Operating Grants

Accountability is the obligation to answer for responsibility that has been conferred. In the case of operating grants to universities and community colleges, this responsibility can be fulfilled by reporting on whether funds were spent for the purposes intended (financial reporting) and whether they were spent with due regard to economy, efficiency and effectiveness (resource utilization reporting).

Reports received by the URB and the CAB from universities and colleges include audited financial statements, audited enrolment statements and other data such as faculty numbers, student enrolments and facility utilization. **We felt that the financial reporting responsibility was satisfied with the receipt of the audited financial statements.**

With respect to resource utilization reporting we noted that the information received provides some of the basic data for analyzing how well funds were spent. **The CAB has started developing some measures of college efficiency but has not yet developed procedures to ensure due regard for economy and effectiveness of a college's operations. The URB, however, has not developed any measures of resource utilization by individual universities.**

We understood that no further steps had been taken to develop measures for such reporting because the URB and CAB did not believe they had the mandate to require resource utilization reporting from the various institutions. We were advised that neither the enabling Acts of the universities nor the Ministry of Colleges and Universities Act, which established the colleges, specifically require the institutions to report on resource utilization. We were also advised that traditionally the universities and colleges had operated with relative autonomy with respect to how well they utilized the moneys from the Province.

On the other hand, we felt that it was the responsibility of the Ministry to ensure that funds provided in the form of transfer payments are well managed by the recipients, that is, that due regard is paid to economy, efficiency and effectiveness. We would therefore expect that, unless there were legislative provisions to the contrary, the Ministry would be requesting resource utilization reports from universities and colleges. Our review of the enabling Acts for the universities as well as the Ministry of Colleges and Universities Act did not indicate any such inhibiting provisions.

While the enabling Acts for universities state that financial responsibility for operations rests with the Boards of Governors, we did note that the Ministry of Colleges and Universities Act specifically states that financial responsibility for the colleges rests with the Minister as well as responsibility for the maintenance and conduct of colleges. **We felt these provisions supported our view that the CAB should be developing better procedures to measure how well the colleges are utilizing public funds.**

We did note that in April 1982, an amendment to the regulations governing colleges provided for an "operational review" to be carried out at the colleges in a manner approved by the Council of Regents. **At the completion of our audit in**

September, 1982 no terms of reference for the "operational review" had yet been established. The Chairman of the Council of Regents has, however, advised us that the "operational review" will encompass an examination of management controls and processes. We were advised that no such reviews are planned for universities.

We felt that a review of management controls and processes along with improved measures of resource utilization reporting would provide the Ministry with the necessary assurances that the colleges are managing their resources with due regard to economy, efficiency and effectiveness.

We therefore recommended that:

—the current analysis and measurements done by the CAB be further strengthened and the data base be developed as necessary to accommodate the process;

—steps be taken to ensure early implementation of the operational review process at colleges;

—similar resource utilization measures, data and operational reviews be required from universities.

Other Matter—Job Specifications

We noted that the operations division of the CAB, consisting of sixteen employees, had inadequate job descriptions for four positions and no job descriptions for another three positions.

In three cases of "inadequate job description" we noted that the position descriptions on file were not related to the work actually being done; in the fourth case of "inadequate job descriptions" we noted that in December 1981 the Civil Service Commission had designated the position a Key Position which required specific description updating. At the time of our review this updating had not been done.

The failure to provide up to date job descriptions is contrary to the Ontario Manual of Administration as well as good business practices. We recommended that the Branch ensure that all positions are supported by adequate job descriptions.

The foregoing matters were reviewed in draft form with officials of the Ministry. However, no formal report had been issued as at September 30, 1982, the date of this Report. Therefore, we are unable to present the Ministry's views on the subject matter.

2.8 Administrative Deficiencies re Agreement with Canada, Ministry of Energy

Part of an audit of the Ministry of Energy included an assessment of whether Ontario was promptly recovering the federal government's portion of expenditures related to Canada/Ontario agreement on the development and demonstration of renewable energy and energy conservation techniques. We also assessed if procedures had been adopted to measure and report on the effectiveness of this program.

Based on our review, we concluded that the Ministry was not promptly recovering the federal government's portion of expenditures related to the agreement, and the effectiveness of the program had not yet been evaluated.

DETAILED FINDINGS

Overview

Effective May 16, 1979, Canada and Ontario entered into an agreement to encourage the conservation of energy and the development of renewable energy resources. Costs incurred under this agreement, which were approximately $6 million for the 1982 fiscal year, are shared on a 50:50 basis with the federal government. The objectives of the program are:

(a) to develop and demonstrate promising new technologies which use renewable energy resources, conserve energy, or make its use more efficient;

(b) to create employment in new or existing industries, and

(c) to develop broad public awareness of the potential of renewable energy and conservation technologies.

Payment Procedures

Section 7.1 of the Agreement states that "payments by Canada shall be promptly made to Ontario on the basis of progress claims setting out the costs actually incurred and paid for under the program, submitted no later than every three months in a form satisfactory to Canada's representatives on the Management Committee." **We found that the Ministry of Energy had not submitted a claim from July 31, 1981 to April 16, 1982.**

On September 16, 1982 the Deputy Minister of Energy wrote:

> *"Working with officials in the Federal Government, standardized arrangements have now been made and claims now are submitted on a quarterly basis as required."*

Monitoring and Evaluation

Section 9.2 of the Agreement states that "the Management Committee will conduct or cause to be conducted, within two years of the signing of this Agreement, an evaluation of the effectiveness of the program to ensure that it meets the objectives of both Canada and Ontario". **At the time of our review (more than 30 months after the signing of the Agreement) an evaluation had not been conducted,**

although we were subsequently informed that draft terms of reference had been prepared for this evaluation.

Deputy Minister's reply:

"The Terms of Reference for the evaluation of the Bilateral agreement have been approved by federal and provincial officials and work is about to commence. The program evaluation was delayed, in part, because the Bilateral Program experienced relatively little activity in the first year. Evaluation before the end of the second year would have yielded relatively little data."

Energy Projects Data Base (ENG) System

(a) The Ministry and Energy, Mines and Resources Canada prepared a publication entitled "Guidelines and information for proponents on the development and implementation of information transfer plans" for projects funded under the Agreement.

In this publication, reference was made to a computerized inventory of all significant energy research, development and demonstration projects in Canada, known as the Energy Project Data Base (ENG). The guidelines stated that "it is the responsibility of the Ontario Ministry of Energy to input data on an approved project to ENG within two months of the date of approval". The Energy Projects Data Base "allows every university in Canada, provincial ministries in every province, many federal departments, industries, consultants and others to have immediate access to the stored information".

Our review found that the Ministry of Energy had not been inputting the data within the two month period.

In the 1982-83 Management by Results (MBR) report, the Ministry stated that one of the objectives of the Agreement is "to disseminate information on successful demonstrations in order to encourage the widescale use of such technological innovations". **In our opinion, inputting project data into the ENG system would assist the Ministry in meeting this objective.**

(b) **In addition, we found that the Ministry was not making use of the ENG system on a regular basis.** By using the System, the Ministry may:

i) obtain information which may be of assistance when considering project proposals, and

ii) avoid duplicating projects which are already in progress or are completed elsewhere.

We understood that the Ministry was having difficulties with obtaining and inputting the desired information because, **until quite recently, no employees had been trained in using the ENG system.**

Deputy Minister's reply:

"Arrangements have now been made to input information to the 'Q.L. Eng.' system as required on all approved projects and to search the Data Base when reviewing new proposals.

"As indicated in your comments, technical difficulties were encountered. These had to be corrected before the system would function properly."

2.9 Assessment of Internal and Management Controls at Computer Data Centres, Ministry of Government Services

As an integral part of our ongoing regular audits of the various ministries and Crown agencies, our Office assesses the internal controls present in the electronic data processing of the relevant computer applications. Since many of these applications are processed by one of the three major data centres of the Ministry of Government Services (MGS), it is not considered sufficient to review the input and output controls for these applications at the user end without having some assurance that there are sound processing and related controls at the processing centre. It is also considered impractical to conduct a review of the processing controls on an individual basis each time that an application is reviewed in the field.

We therefore conducted a series of audits at each of the three MGS facilities concerned with electronic data processing during the period August to December 1981, to assess the adequacy of internal and management controls associated with the centralized processing of client applications and data.

The major conclusions resulting from these audits were as follows:

- **An up-to-date backup and disaster preparedness plan was lacking for all three data centres.**
- **Internal controls over documenting, authorizing and implementing system changes were in need of improvement.**
- **Proper project administration and accounting control procedures were not being followed in the three data centres and the Communications and Computer Services Division (CCSD) main office.**
- **Sound internal controls over various security aspects of the data centres were in place and being followed.**
- **Operations at the data centres were conducted in an economical and efficient manner.**
- **Long and short range planning activities for the whole CCSD were being directed and implemented in a positive and effective way.**

DETAILED FINDINGS AND RECOMMENDATIONS

Details of our findings and recommendations, as they related to areas in need of improvement, are contained in the succeeding paragraphs, together with the Deputy Minister's reply of August 9, 1982.

Backup and Disaster Preparedness

In section 2.15 of our March 31, 1981 Annual Report, attention was drawn to shortcomings in the contingency plans of the computer centres. These shortcomings were in the areas of Application Priorities and Testing. **Our current review indicated no appreciable change had taken place in these areas.**

As mentioned in that Report (page 38), the Deputy Minister of Government Services advised us that the Management Technology Branch of the Management Board Secretariat was coordinating the matter of setting priorities.

Insofar as testing was concerned, the Deputy Minister advised us that "*A more ideal solution that is being investigated is to enter into an agreement with a private sector service which provides computer backup facilities in case of contingency and also provides run testing facilities.*" **At the time of our audit no agreement had been entered into with any private sector service.**

However, before any meaningful arrangement could be made along these lines, a reasonably comprehensive risk analysis would have to be made of the various hazards which could result in a partial or complete degradation of the installation. Until this is done, no cost/benefit comparison could be made of backup requirements.

We therefore recommended:

—A risk analysis be undertaken and documented by the individual data centres.

—Allocation of costs of test runs at backup installations be determined, and test runs be undertaken.

—Every effort be made to encourage Management Board, or a group responsible to Management Board, to determine priorities of applications to be run in the event of a disaster at any data centre.

Deputy Minister's reply:

"Risk analyses at the computer centre facilities will be completed by October 31, 1982. Following these analyses, we will make recommendations to clients with higher assessed risks to collaborate in testing backup centres. Initial emphasis will be given to selective testing the more mobile batch processed application systems which would require modest expenditure of human, financial and hardware resources of clients and the Computer and Telecommunication Services Division (CTSD).

> *"Management Board Secretariat will be contacted again in order to gain support and interest in the co-ordination and determination of relative interministry processing priorities for client application systems in the event of partial and total disaster.*
>
> *"It would of course be helpful if you were to make complementary recommendations on this matter to all Ministries that use our facilities."*

Control of System Changes

Properly documented, authorized and controlled implementation of all changes made to hardware modules and operating system software is a key element of data centre integrity management.

At the Leaside Centre, the policy and procedures for achieving such changes in this data centre were detailed in an instruction dated September 14, 1979 entitled "Production System Change Request" (PSCR). **This procedure had not been included in the Administrative Procedures Manual at the time of our review. We noted that management control over the system change was generally adequate. However, our examination of the PSCR file revealed that a number of manufacturer-supplied modifications to the operating system software had been made without complete cross-references on the PSCR's.**

We recommended that:

—The procedures for implementing system changes at the Leaside Data Centre be incorporated into the Administrative Procedures Manual.

—The initiation, authorization and implementation of all system changes be completed in accordance with the documented procedures.

At Downsview, specific detailed procedures to be followed for System Change Requests are set out in the Administrative Manual, Procedure No. 3. **We noted that Technical Support Services personnel frequently used a single SCR form to implement a number of changes to software components. However, this form failed to fully detail the nature of the changes.**

We therefore recommended that cross-referencing to other documents be made on the SCR as necessary, and that full details of the nature of the change be set out thereon.

At Queen's Park, the policy and procedures for achieving such changes were set out in the administrative manual of the branch. All such changes were to be recorded and authorized on a System Change Request (SCR). Our examination of the SCR file in conjunction with the Systems Maintenance Records (SMR) file revealed that the **compliance with the system change control procedure was not being properly adhered to. A number of modifications to the systems software had been made without propre authorization.** The procedures indicate that the completed original SCR forms were to be filed in the System Change Request book located at the console area. However, we noted that **a number of SCR records registered in the log of the file were missing from the central file.**

We recommended that:

—The SCR procedures for Queen's Park Computing Branch be modified to include a formal check requirement to ensure that each and every change made to the system software is properly reported and authorized.

—All completed SCR forms be filed as required in the procedure manual.

Deputy Minister's reply:

"The importance of effective system change control management is fully appreciated and one of the objectives of the newly organized Technical Services Branch is to specifically deal with the issue of common controls and procedures for documenting, authorizing and implementing system and program changes within the computer centres."

Project Administration and Accounting Control

a) Software Programming Control

Normally, at all three installations, **systems software programming was performed and implemented by one individual without being reviewed by another staff member unless help was required in research, programming, testing or implementation.**

We felt that a detailed review of program changes and the test results by an independent knowledgeable second person was desirable for the maintenance and control of system integrity. The procedure should formally require both the implementer and the reviewer to sign the form prior to implementation.

We recommended that the system change procedure followed by each of the installations be modified to require a detailed review by a person other than the programmer who made the change.

b) Project Administration

Adequate records were not kept at any of the data centres to provide management control over the administration of projects. Human resource usage and computer facility charges for development or ongoing projects under the auspices of the Technical Support Services Group were not accounted for.

Proper accounting of personnel time and computer charges pertaining to specific projects is a basic requirement for effective project management and accountability, particularly for any "major" project. Although it is appreciated that some projects are merely short term adjustments to the operating system, others could involve considerable resources.

We recommended that the main office of the Division establish a definition of a "major project", and that the costs of human resources and machine charges, both actual and budget, be recorded for all such projects on a suitably designed form.

c) Control of CCSD Projects

Numerous divisional projects were in various stages of completion and had been assigned to specific managers. Each manager was responsible for his own project. **There was insufficient documentation available to permit a comprehensive review of the status of each project and there was no centralized project monitoring and control function.** We also noted that no accounting for resources used on the various projects was being recorded. We felt that proper accounting for personnel time and other costs pertaining to specific projects is a basic requirement for project management and accountability.

We discussed this aspect with senior divisional management who advised us that they recognized this deficiency and were working towards the establishment of a "Controller" function which would be responsible for administering and accounting for all assigned projects.

We recommended that:

—The central control function be established as soon as practicable to administer and monitor all projects.

—Project control documentation be modified to provide instructions for recording cost accumulations for each project and for reconciliation to the budget.

Deputy Minister's reply:

"Procedures for monitoring and controlling internal projects are under development to ensure adequate administration and management of financial, human and hardware resources."

2.10 Weak Mail Room Security, Ministry of Health

As part of a recent audit of the Ministry, we visited the Ministry's mail room at 15 Overlea Boulevard in Toronto in order to assess the security thereof. **We concluded that security measures were inadequate to prevent unauthorized access to cheques and other sensitive material.**

The mail room located in the basement of the building is accessible by three doors leading from the internal corridors of the building and by two hatches opening to the underground garage. **Although the three internal doors were locked after working hours, one of these doors could easily be opened through a gap in the door without the use of a key. The two hatches were without secure locks.**

A locked storage room in the mail room was used for overnight/weekend storage of postage meters and medical claims cheques awaiting mailing. Micro film and paid cheques were also stored in this room. We were informed that staff from the Mail Room, Maintenance, Stockroom, Medical Claims, and Records Management sections have keys to this storage room. **As a result, anyone with a key could have access to the contents of the room other than the postage meters, which are locked in a cabinet within the room.**

Mail received and opened but not immediately identified as to specific internal destination is stored in unsealed cartons in the general mail sorting area in the Mail Room. **This mail may include cheques and other sensitive correspondence and may remain in these cartons for a number of days until resources are available to determine the specific distribution.**

These security weaknesses expose the Ministry to considerable risk. We recommended the following:

(a) All access doors and hatches to the Mail Room should have secure locking devices installed. Keys should be restricted to senior Mail Room staff.

(b) Live cheques, mail awaiting distribution, microfilm and other sensitive material should be stored in separate lockable containers within the storage room. Access to each container should be restricted to keyholders directly responsible for its contents.

The preceding comments were transmitted to the Ministry on September 28, 1982. Since the Ministry has not had sufficient time to respond prior to September 30, 1982, the date of this Report, we are unable to present its views on this matter.

2.11 Opportunity for Increased Efficiency in Operations of Industry Development Program, Ministry of Industry and Tourism

Our most recent audit of the Ministry included a review of the management information and control system pertaining to the Operations Activity of the Industry Development Program. Although we found the system to be generally satisfactory, the following areas could be improved:

- **The basis of allocating consultants to and sometimes within, area offices was questionable.**
- **Communication problems existed between area offices and head office in certain instances.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview of Operations Activity

Expenditures of the Operations Activity of the Ministry's Industry Development Program totalled $9.6 million for the year ended March 31, 1982 (1981, $9.4 million). The Operations Branch delivers and promotes Ministry services and programs, which include providing advisory services to small businesses, attracting business investment to Ontario and developing international markets for Ontario-made products. Its Ontario and International Offices also provide feedback to head office on acceptance of programs, issues, problems and opportunities in industry.

Allocation of Consultants and Work Load

Consultants in Ontario are allocated to various area offices under a regional director. A review of statistical information at the time of the audit per Ministry statistical reports revealed the following:

Office	No. of Consultants	Total No. of Companies	Average No. Per Consultant
Willowdale	15	6,043	403
Ottawa	3	419	140
Hamilton	3	1,116	372
Kingston	2	370	185
Sudbury	1	70	70

Within offices it was noted that work loads varied:

Consultant	No. of Companies Over 50 Employees	No. of Companies Less/Equal 50 Employees	Total No. of Companies
Willowdale Office			
1	63	253	316
2	138	457	595
3	73	117	190
Hamilton Office			
1	139	416	555
2	67	284	351

Generally, consultants interviewed felt that the number of companies assigned to them was a realistic assessment of his or her work load; although in one office, half the consultants interviewed felt that their work loads were excessive and subsequently affected the quality of service given to their clients.

Although we recognized that some time may be spent by consultants liaising with various municipalities, **these statistics indicated that the work loads in the Willowdale and Hamilton area offices were significantly heavier than those in the Ottawa, Kingston and Sudbury offices. In addition, the above statistics indicated that significant work load differences exist among consultants within offices. This work load imbalance may also exist in other offices.**

Although we realized that there may be unique circumstances for having offices in certain areas, we recommended that Operations management consider the feasibility of allocating consultants to area offices in a more systematic manner. For example, an approach could be developed to include factors such as: area size, industrial potential of area, future work load forecasts, etc. The allocation of manpower on this basis would provide a more efficient utilization of industrial development consultants and help even out the work load.

Communication of Information

Our review, which included interviews with industrial development consultants, revealed the following:

1. **More recently hired personnel expressed a need to identify resource people at Head Office whose expertise can be utilized by them.** Some of the consultants did not know many people at Head Office on whom they could call upon to provide assistance or support for their activities. This situation may have been aggravated by the last Ministry reorganization.
2. **Field personnel expressed a need to be made more aware of changes in programs originating from Head Office.** In the case of one program (energy), consultants were not aware that the criteria for it had been changed until a significant time after the change.

We recommended that Operations management:

1. As part of the initial training for new consultants identify specialists within the Ministry who can be called upon by them for assistance.
2. Improve procedures for communicating any changes evolving from Head Office that affect the work of the field staff.

On July 22, 1982 we met with the Deputy Minister and certain other senior Ministry personnel to discuss in general terms our comments relating to our review of the Operations Activity. The Deputy stated that he interpreted our recommendations as not being indicative of major system deficiencies, but rather as constructive suggestions to be taken into consideration as part of the ongoing process of modifying and improving administrative practices and procedures.

2.12 Operational Matters Related to the Ontario Labour Relations Board, Ministry of Labour

A portion of our most recent audit of the Ministry of Labour dealt with an assessment of the Managing by Results (MBR) process related to the Ontario Labour Relations Board, as it related to due regard for economy, efficiency and procedures to measure effectiveness. The following were the most significant findings resulting from our review.

- **Fees due the Board regarding construction industry grievance hearings were often being undercharged or not charged at all.**
- **The Board's MBR reporting did not include a measure for cost effectiveness.**
- **The Board's word processing capability could be expanded to achieve additional economy.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

Expenditures of the Ministry's Labour Relations Board program for the year ended March 31, 1982 were $3.8 million (1981, $3.4 million). The Board is a quasi-judicial tribunal responsible for the administration of the Labour Relations Act. The Board's main object is to promote harmonious relations between employers and employees by encouraging the practice and procedure of collective bargaining between employers and trade unions as the freely designated representatives of employees.

Construction Industry Grievances

The services of the Board are provided free except in the case of referrals of construction industry grievances under section 124 of the Act. When a construction industry grievance cannot be resolved by the Board's Labour Relations Officers and must be heard by the Board, then under R.R.O. 544/80, as amended, a charge of $300 should be made for each day or part of a day that a hearing is held.

Our review of those cases referred to Board Hearings indicated that a charge applicable to only one day was normally made, even though a hearing extended over three or four days. In several instances, charges had not been levied on section 124 cases receiving a Board Hearing. We examined section 124 cases received by the Board during the 1981 fiscal year, which proceeded to a Board Hearing. We found that in 25 cases, charges totalling $8,500 had not been levied against the parties involved.

Cases heard by the Board are charged to the appropriate parties, through the use of monitoring control sheets for each case. As cases are finalized the control sheets for section 124 cases which indicate hearings by the Board, are passed to the board clerks' supervisor for review of the file, and raising the applicable charge. **As noted, we found that no charge had been levied in some instances, which was due to the control sheets not being passed to the supervisor. In four cases "No Charge" was written on the control sheet, but no reason was given for this decision.**

We recommended that:

1) All section 124 case files when completed be routed to the supervisor for review to ensure that all hearing fees are levied.
2) "No Charge" situations be supported by a written explanation.

3) Written guidelines be established for the assistance of the supervisor, emphasizing particularly that the per diem charge apply to each day or part day that the hearing was in progress.

On May 11, 1982, the Deputy Minister of Labour wrote:

> *"I have discussed this recommendation (#1) with the Chairman and I am satisfied that these incidents were inadvertent. Administrative procedures have been strengthened to avoid this situation in the future.*
>
> *"The Board has also agreed to attempt to recover the amounts inadvertently under-billed during the 1981-82 fiscal year from its clients."*

Managing by Results Reporting

The Board measures the efficiency of its operations by comparing the percentage of dispositions achieved under the three major case load categories; certifications, unfair labour practices and construction industry grievances, against predetermined disposition time standards based upon historical statistics. Further enhancement of the measurement of efficiency was made in the 1982 MBR abstract by including indices measuring 'output' per Vice-Chairmen and officers.

We suggested that a dollar based cost/effectiveness measure of the Board's operations could be included by indicating the average cost per disposition. We were aware that individual cases can differ considerably due to the varying complexity of cases. However, **as long as the case-mix remains relatively stable, which can be determined from the Board's statistics, a comparison of average cost per disposition from year to year could provide an overall dollar related indice comparing benefits achieved in light of dollars spent.**

The Deputy Minister replied as follows:

> *"While the Board has revised its M.B.R. abstract and has added an average disposition cost measure, one should observe that measurements of this sort may be of dubious value to the Board given the great range of cases in terms of varying length, complexity and impact."*

Communications

The Board has a word-processing section, consisting of five word processing units which are used predominantly to produce reports of Labour Relations Officers' meetings with parties and letters accompanying the distribution of Board decisions, but not the actual decisions which are prepared by the Vice-Chairmen. **Six secretaries are employed in the typing of these decisions. Due to their complexity, these decisions are often subject to several revisions which necessitate extensive retyping.**

There are relatively inexpensive keyboard stations which can record up to 20 pages of typing keystrokes on special mini-cassettes. The tapes can be played back into the word processing units for final editing and printing. We recommended that the Board investigate the possibility of expanding their word processing capability, especially for the typing of the more complex decisions which can require several revisions, as it would enable the Board to handle an increased work load without a corresponding increase in secretarial staff.

The Deputy Minister advised that:

> *"A review of operations and available technology did result in the purchase of additional input stations which increased the Board's word processing capability."*

2.13 Initiatives for Improved Management Practices, Management Board of Cabinet

In section 1.9 of our 1981 Report, we provided a summary of three major initiatives undertaken by the Management Board Secretariat which are designed to improve the quality of the overall management process within the government—the Management Standards Project, Managing by Results (MBR) and Internal Auditing.

Each of these initiatives will undoubtedly assist this Office in carrying out our responsibilities under the Audit Act, especially insofar as economy, efficiency and procedures to measure effectiveness are concerned. Tangible progress dealing with the implementation of these initiatives has been achieved during the past year. A summary of each of the initiatives and the current status thereof is contained in the following paragraphs.

MANAGEMENT STANDARDS PROJECT

This project was approved by Management Board of Cabinet in March 1980. Its purpose is to lay the groundwork for improving management in the Ontario Public Service over the next decade by:

- Establishing a basic framework for managing in the 1980's;
- Setting standards for the quality of management in the 1980's;
- Ensuring the major problem areas in management are defined and addressed.

The main output of the project is a series of publications documenting a consistent set of management principles, terms, processes, practices and standards available for use by all government managers.

During the past year, several brochures providing an overview of management in the Ontario Public Service have been issued. These brochures deal with Ontario's management philosophy, principles and standards of management, internal auditing, achieving results, accountability, decentralization of decision-making, and the management cycle.

Additionally, booklets describing management processes and summarizing standards have been issued for the following:

—priority planning and resource allocation;

—operational planning, budgeting and reporting;

—internal auditing.

Other brochures and booklets are presently in process, and the entire publications series is planned to be completed by the end of the 1983 fiscal year.

The project has also initiated a "Managing Together" newsletter, which is distributed every six weeks and provides articles dealing with examples of ministry management processes and techniques.

Present plans call for the standards to be implemented by all ministries over a three year period commencing April 1, 1983. Guidelines for implementing the management standards were submitted to Management Board on September 27, 1982.

MANAGING BY RESULTS (MBR)

The Managing by Results concept was developed in order to provide a results focus on program management and to facilitate accountability for the use of resources. This focus is intended to assist managers to be efficient and effective in delivering programs.

The Secretariat's ongoing MBR Improvement Project is continuing to make progress in improving the quality of results information in MBR Abstracts. During the past year, the following steps have been taken:

—A comprehensive publication, entitled "Manager's Guidelines to Managing by Results" has been issued. The publication summarizes, for managers at all levels of the Ontario Public Service, the MBR concept and its applications. It also provides an outline of an approach to the identification and description of program results.

—The Project team has developed and conducted numerous management seminars and analyst workshop sessions dealing with various aspects of the MBR concept and its application.

Additionally, the Project team is now in the process of developing a further publication, "The Analyst's Managing by Results Handbook". This book will provide a more detailed explanation of the technical aspects of MBR and the preparation of Abstracts.

INTERNAL AUDITING

The Management Board Secretariat is continuing to monitor the implementation of the recommendations contained in the report of the Task Force on Audit Policy, which was issued in December 1980. As previously stated, the Management Standards Project team has issued a process booklet on Internal Audit, which provides ministry management with the key principles and standards essential for a successful internal audit process.

In its report, the Task Force noted that "The expansion of the internal audit mandate will in all probability require additional staff". In this connection, Management Board in 1981 approved a guideline that provided for an increase of two audit staff for each ministry with an audit branch.

The Task Force also noted in its report that "Due to the range and sensitivity of data processed by computer, electronic data processing systems warrant particular attention." During various meetings in 1981 and 1982, the Standing Public Accounts Committee has also expressed its interest in this aspect of internal auditing. In this connection, we have been advised that the number of ministry internal audit personnel conversant with and capable of performing EDP audits has increased from 21 as at March 31, 1980 to 43 as at June 30, 1982.

2.14 Review of Resource Allocation and Estimates Process, Management Board of Cabinet

During the year, we reviewed the Resource Allocation and Estimates process for the 1982 fiscal year, including the role of Management Board Secretariat Officers and Coordinators in the process. Our audit included assessing the procedures in place for the review of the Ministry of Health Estimates, including Managing by Results information (2 stages—Plan; Results vs. Plan), and reviewing procedures used to issue Supplementary Estimates and Management Board Orders.

Significant findings resulting from our review were:

- **One of the Secretariat's responsibilities, "ensuring adequate results accountability in all program activities through effective Managing by Results reviews" was not achieved for the Ministry of Health.**
- **Knowledge of the Ministry's integrated planning process was not deemed to be a requirement for the review of the Ministry's Estimates and MBR Plan.**
- **During the 1982 fiscal year, Management Board Orders totalling about $102 million were issued when the Legislature was in session.**

DETAILED FINDINGS

Overview

The organization of the Programs and Estimates Activity (Program and Estimates Division) of the Management Board Secretariat includes three Policy Field Branches: Education and Social Services; Justice and General Government; and Resources Development. Common responsibilities of these branches include:

- Conducting the Estimates process consistent with general government policy, established fiscal strategy and prudent resource management.
- Ensuring adequate "results accountability" in all program activities through effective Managing by Results reviews.

Staffing of the three Policy Field Branches consists of 3 Directors, 6 Coordinators and 15 Officers. Expenditure of the Programs and Estimates Activity for the 1982 fiscal year was $1.8 million. Total expenditure for the Government of Ontario for the 1982 fiscal year was $20.4 billion.

Comprehensive Review/MBR Plan

The Officer's Handbook at the Secretariat sets out the Officers' and Coordinators' roles and responsibilities for examining ministries' Estimates submissions. In January 1981, general guidelines for the analysis of 1981-82 ministry Estimates submissions, taken mainly from the section of the Handbook on Officer's responsibilities, were issued to staff of the Policy Field Branches. These guidelines included an MBR Plan review and a Comprehensive Program Review. For the latter review, a note on the guidelines stated that, in most cases, this requirement was deferred until the Estimates Review was completed.

We noted the following during our review of the 1981-82 Estimates of $5.6 billion for the Ministry of Health:

—**A Comprehensive Program Review for the 1982 fiscal year was not carried out.** Due to time constraints, the Ministry of Health was not selected for Comprehensive Program Review in the 1981 fiscal year either. We understood that from the 1983 fiscal year, the requirement for Comprehensive Program Reviews no longer exists.

—**There was no evidence of review of the 1982 fiscal year MBR Plan for Ministry programs and activities.** Since this is a plan for the effective utilization of resources, questions relating to the **completeness, reasonableness and quality of information in the Abstract should be raised at the outset rather than 12-20 months later when the results are known.**

In this regard, for the 1981 fiscal year the MBR Results for the Home Care Assistance transfer payment, representing 1.04 per cent of total Ministry expenditure, was reviewed. Concerns with the appropriateness of objectives and performance indicators (project oriented rather than program performance) were identified. These were really concerns with the quality of information in the MBR Plan.

Had the concerns been pointed out to the Ministry when the plan was submitted corrective action might have been taken to make the Results comparison to Plan more meaningful. For the 1983 fiscal year, preliminary reviews of a new MBR Plan for the Home Care Assistance transfer payment have been carried out by the Secretariat.

Our review indicated that one of the common responsibilities for the Policy Field Branches "ensuring adequate results accountability in all program activities through effective Managing by Results reviews" was not being achieved for the Ministry of Health.

On September 29, 1982 the Secretary, Management Board of Cabinet replied as follows:

> *"We believe that systems are in place in the Secretariat to ensure results accountability for all ministries, including the Ministry of Health, which was the object of your review. Accountability for results is an integral component of all Management Board Secretariat processes from Resource Allocation through Estimates Review, in the analysis and presentation of in-year change requests before the Board, in monthly analyses of expenditure patterns, in proposals for in-year constraints, in comments on the financial and administrative aspects of policy and program change proposals, and in later review of actual results achieved. Accountability for results is not, therefore, achieved solely through the formal analysis and review of ministry Managing by Results Abstracts during the Estimates Review.*
>
> *"Because a Provincial election was underway during the normal Estimates Review period, an executive decision was made within the Secretariat that the Comprehensive Program Review and detailed review of the Managing by Results Abstracts would not be done during the 1981-82 Estimates Review process. While these were considered important components to ensure accountability for results, given the circumstances and the other results oriented actions in effect as outlined above, it was decided that they could be forgone that year.*
>
> *"I would also emphasize that the Officer's Handbook is designed as a guide and is not prescriptive of duties that must be performed. In discharging its mandate in support of a Committee of Cabinet the Secretariat will, from time to time, necessarily take decisions that will alter processes, as long as such alterations do not detract from the basic functions of the Secretariat. That is to say, if content is protected form can, on occasion, be changed.*

> *"All of this detracts in no way from our commitment to pursue improved performance accountability through Managing by Results. Your staff is aware of, and has been of considerable assistance to, the Managing by Results Improvement Project. This project, established as a result of a Task Force appointed by the Management Board to review Managing by Results in the Ontario Government, has two important objectives. These are to improve the quality of information in Managing by Results Abstracts, and to strengthen the government-wide focus on results. It is an internal objective of the Secretariat to improve its use of results data in support of the decisions of Management Board. Thus, I believe we can conclude that our commitment to performance accountability is, in all respects, consistent with the concerns expressed in your report."*

Management Standards

The Officer's Handbook also states, that the Officer is expected to play an active role in the decision making and program delivery process. A passive viewpoint, such as one that the Officer serves only as a medium for information processing, is not acceptable. The Handbook further states that Officers should keep informed of the activities of the Management Standards Project, particularly in terms of the management systems operating in their respective ministries. Officers should also be aware of how well the Managing by Results process fits into the overall management system of the Ministry.

We were advised that knowledge of the ministry's integrated planning process, including strategic planning, priority ranking and operational planning and budgeting was not deemed to be required for the review of its Estimates and MBR Plan. In our opinion, this position was not consistent with the role and responsibility of the Officer as stated in the Officer's Handbook.

The Officer's role in relation to his/her ministry as described in the Handbook contains a large measure of 'control'. Consequently, knowledge of the adequacy of the management processes used in arriving at the amounts and information in the Estimates and the MBR Abstract is essential to more effectively discharge this control function. In this regard, information on the extent to which ministries meet the standards and principles for Operational Planning, Budgeting, and Reporting Processes, issued in 1981 by Management Board Secretariat, would be useful to the Officer in determining the scope of the review of ministries Estimates and MBR Abstracts.

The Secretary, Management Board of Cabinet, commented as follows:

> *"The exact methodology of how the Board will deal with the application of Management Standards is currently under discussion and there has as yet been no final decision, nor has there been any prescriptive direction to Management Board Officers*

> *on the subject. In general, however, we agree that the knowledge of ministry strategic planning, priority ranking and operational planning and budgeting is an important ingredient in the allocation process, in the consideration of policy proposals and program changes, in the consideration of in-year adjustments including constraint proposals, in the development of Managing by Results Abstracts, and in the detailed discussion with ministries on their estimates submissions. At the time of the Estimates Review, including the Managing by Results Abstract Review by the Management Board, the knowledge is being applied for all ministries, including Health."*

Supplementary Estimates and Management Board Orders

In the Resource Allocation and Estimates process, the Estimates for the next fiscal year are developed from the original Estimates of the current year. The 1981-82 original Estimates for the Province totalled $19.4 billion representing an increase of 15.2 per cent over the 1980-81 original Estimates and an increase of 12.3 per cent over the 1981 fiscal year's actual expenditure.

During the 1982 fiscal year, amounts additional to the original Estimates totalling about $1 billion were obtained by Supplementary Estimates ($492 million) and Management Board Orders ($508 million). The total appropriation for the 1982 fiscal year then amounted to about $20.2 billion after deducting the Contingencies Activity of $185 million, representing an increase of 4.2 per cent over the original Estimates.

The Officer's Handbook suggests the use of Supplementary Estimates if the request for funds is over $1 million or if the request is controversial. **Nevertheless, our review of Management Board Orders issued during the 1982 fiscal year with program/activity amounts of $1 million and over, excluding those relating to salary revisions, indicated that about $102 million was issued when the Legislature was in session.**

In June 1980 the Director, Office of Legal Services, Ministry of Treasury and Economics expressed an opinion to Management Board Secretariat on the use of Supplementary Estimates rather than Management Board Orders. **He believed that it would be better practice to put a Supplementary Estimate through the Legislature while it was sitting rather than proceeding independently of the Legislature by use of a Management Board Order.**

The Secretary, Management Board of Cabinet, addressed our comments as follows:

> *"As you are aware, either Supplementary Estimates or a Management Board Order is required to increase an appropriation that is insufficient. Our current practice is to use Management Board Orders to approve increases in appropriations for salary revisions and minor funding changes under one million dollars.*

When the Legislature is not is session, it is not possible to table Supplementary Estimates and only Management Board Orders may be approved Sometimes when the Legislature is in session, Management Board Orders are necessary in urgent situations where an appropriation is exhausted. Although the legal opinion suggests that it is preferable to use Supplementary Estimates, it is not always practical to suspend payments until a set of Supplementary Estimates is tabled in the Legislature.

"Under these circumstances, Management Board Orders may be approved to avoid disruptions in program delivery. The $102 Million noted in the audit report represents only 0.5% of the total expenditures of $20,389 Million made in 1981-82.

"Also, there is public disclosure of Management Board Orders. In accordance with the Standing Orders of the Legislative Assembly, all Management Board Orders are printed in the Ontario Gazette with an explanation of significant changes from the printed Estimates."

2.15 Forest Fire Management Controls and Operations, Ministry of Natural Resources

A recent audit of the Ministry dealt with the economy and efficiency issues of forest fire management operations and an assessment of the appropriateness of procedures being used to determine and report on the effectiveness and efficiency of forest fire management and control.

We felt the Ministry should be commended on the manner with which the myriad of problems associated with forest fire management and control were being addressed; however, additional observations included the following:

- **Coordination and management of aircraft hire and operations was weak.**
- **Procedures to report on effectiveness and efficiency of forest fire management and control were not yet completely in place.**
- **Criteria for work permit inspections were required.**
- **Forest fire detection and prediction systems were effective.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The Aviation and Fire Management Centre at Sault Ste. Marie is basically responsible for policy formulation, priority setting, program evaluation and the provision of appropriate services in the aviation, communications and forest fire management fields.

The forest fire management organization adopted by the Ministry is a combination of functional and geographic management. Operations are conducted through a network of fire centres at provincial, regional and district levels. The system is intended to make the full combined strength in manpower, aircraft and other equipment resources available to areas anticipating and/or experiencing extreme fire danger and heavy fire loads.

Basic funding for forest fire management is provided within the Aviation and Fire Management Activity of the Ministry's Land Management Program. These funds are used in the acquisition, training and development of manpower and equipment resources, and for on-line Ministry and contract aircraft. In addition, funds are available through the Extra Fire Fighting Activity for expenditures in fire situations. For the 1982 fiscal year, total expenditure of these two Activities was $59.9 million.

Currently, the Ministry has a Forest Fire Management Improvement Project (FFMIP) group established to develop and implement plans for an improved forest fire management system in Ontario. This project is scheduled for completion in October 1983.

Air Services

One observation made by the Aviation and Fire Management Centre during a regional audit, and on previous regional visits, was that **there are too many people involved in regional aircraft management, which in turn degrades the efficiency of the system while creating staff frustration.** An official in another region predicted that perhaps $250,000 could be saved annually in his region by employing a manager for the helicopter program. The same official suggested that economy could be further increased by having the Aviation and Fire Management Centre exercise a greater role in coordinating helicopter rentals. Although the Centre currently identifies the regional requirements and calls for proposals from the carriers, the latter respond directly to the regions regarding contractual arrangements. **In a sense, therefore, the regions are competing against each other in the market.**

The cost effective employment of rental aircraft becomes even more demanding of attention in light of the increased expenditures during the 1980 and 1981 fire seasons. A summary of the costs incurred during the past two years follows:

	Fire Season	
	1980 ($ million)	1981 ($ million)
Helicopters	8.70	7.04
Canso aircraft	1.16	1.76
Detection aircraft	.96	1.12
	10.82	9.92

(Helicopters are used primarily for initial attacks on fires and for servicing fires, and the Cansos for water bombing.)

For the 1981 fire season, nine Cansos were hired on "basic" contracts with two firms on a minimum guarantee basis as follows:

	No. of Cansos	Minimum Paid Flying Hours	Operating Rate Per Hour $	Minimum Guarantee $
Firm A	4	800	945	756,000
Firm B	5	1,000	678	678,000
				1,434,000

The minimum guarantee was exclusive of such other contract charges as ferrying and crew expenses. In addition, the Crown supplied fuel and oil for all operational flying at an approximate cost of $200 per hour. Firm A also supplied the above four and three other Cansos on a short term basis at the same rate ($945 per hour).

The degree of utilization of the minimum paid flying hours is of some interest. The unused time, amounting to $519,000, represented almost 30 per cent of the minimum guaranteed payments. The two firms also supplied three light aircraft for "bird dog" duties related to the water bombing operations. Unused time for the "bird dog" aircraft totalled approximately 250 hours (cost $35,000) or 30 per cent of the total hired time.

We recommended that:

The hire of detection aircraft and helicopters be more actively coordinated and controlled by the Aviation and Fire Management Centre. (Commencing in 1981, all funds for the Canso water bombers were controlled through the Centre.) Emphasis should be directed towards achieving the best practicable match between predicted utilization and minimum guarantees for all aircraft.

On September 17, 1982 the Deputy Minister of Natural Resources wrote:

> *"To ensure effective management of contract detection A/C, helicopters and heavy water bombers we are actively developing the most appropriate control procedures."*

Procedures to Report on Effectiveness and Efficiency

The objectives for forest fire management as stated by the FFMIP group are:

—To prevent loss of life and minimize the disruption to communities as a result of forest fire;

—To minimize the impact of forest fire on the social and natural resources of Ontario;

—To use prescribed burning techniques in achieving MNR objectives.

Values at risk is a term used by forest fire prevention personnel where values are areas of human and natural values such as towns, settlements, proposed cutting areas etc., and risk refers to the possibility of a fire starting and/or spreading through an area. **As was pointed out by a 1980 consultant's report, and as confirmed by our review, the Ministry has not established the values at risk.** Until these values at risk are determined, the provincial, regional and district fire centres are hampered in accurately setting priorities so as to effectively and efficiently manage the available resources.

The importance of establishing the values at risk is appreciated by the Forest Fire Management Improvement group and a number of questions on the subject were posed in its widely-circulated first progress report. We were also pleased to note that the Thunder Bay District office has initiated a "pilot" fire values at risk mapping project.

The establishment of the values at risk will also lead to improved fire damage appraisals. Damage appraisals, which constitute part of the decision-making process, have been calculated somewhat arbitrarily (dollars per acre in individual fire reports) and tend to conflict with the information circulated in this regard by other sources. For example, with respect to the 1980 fire season:

—The Ministry estimated the total damage to natural resources, property and cost of evacuations would exceed $100 million.

—The Ontario forest industry estimated the impact on the forestry sector to be $2.4 billion in terms of loss to the gross provincial product.

The appraisal of the resource values being protected and of wildfire damage is, in our opinion, the most important tool needed for effective and efficient forest fire control planning and management. Without such appraisal, there can be no realistic determination of how well the objectives of forest fire management are being achieved.

We recommended that:

As the objectives for forest fire management are expanded into more precise sub-objectives, research be continued into the range of things that need to be measured as indicators of what the forest fire management program is intended to do, e.g. the values that are to be protected.

Deputy Minister's reply:

"A significant degree of difficulty has been experienced in the past in developing projects as indicators of efficiency of our

> *operations. The implementation of the Fire Management Improvement Project and Management Information System is a positive step in establishing indicators of the efficiency of these operations."*

Work Permits

The Forest Fires Prevention Act requires that a work permit be issued before logging or other industrial operations are carried on in forested areas within fire regions. The regulation to the Act stipulates the conditions under which a permit is granted. These include:

- —the types and quantities of fire suppression equipment to be available on the operation; and
- —the requirement that 50 per cent of the persons engaged in the operation are competent in the use of the fire suppression equipment.

The provisions of the Act and the regulation have been amplified in an Aviation and Fire Management Centre policy directive which specifies in part that:

> "Inspections of each work permit area shall be made by Ministry staff at frequent intervals to ensure conditions as set out in the work permit are being met."

Although fires attributed to industrial operations may be few in number, the acreage burned may be relatively great as illustrated by the following summary of 1980 fires according to cause:

Cause of Fires	No. of Fires	Per Cent	Acres Burned	Per Cent
Lightning	776	43.6	641,637	46.3
Industrial:				
Logging	17	1.0	313,606	22.7
Other	20	1.1	322,727	23.3
All other	966	54.3	106,573	7.7
	1,779	100.0	1,384,543	100.0

Our inquiries at one district indicated that only 15 per cent of the 390 work permit areas had been inspected during 1981. We were informed that inspections had been directed primarily towards operations that had been problem associated in the past and also that during high hazard conditions, fire fighting related activities take precedence.

With respect to the stipulation in the regulation that 50 per cent of the persons engaged in the operation should be competent in the use of fire suppression equipment, we noted that the Work Permit Inspection Report form instead provides for an answer to the question:

> "Does this company have a trained fire crew to take initial action on fires?"

The report form also requires an evaluation of the general attitude of the company or camp foreman towards forest protection.

We recognized that a 100 per cent monthly inspection program may not be practical or cost effective. Similarly, we did not question the relative merits of having a 50 per cent training ratio as opposed to having a (highly) trained fire crew available. However, we recommended that:

—The Aviation and Fire Management Centre establish criteria for the frequency of work permit inspections based on such factors as the nature of the operation and the inherent risk involved.

—Consideration be given to providing a staffing complement capable of meeting the inspection criteria without detriment to other activities; and

—Steps be taken to bring the training stipulation of the regulation into agreement with what is deemed to be the acceptable norm.

Deputy Minister's reply:

"Criteria for the frequency of work permit inspections have not been established nor has the provision of the necessary staff complement. There has however been an accelerated work permit inspection program in place for the past two fire seasons. Funds have been allocated to the field to hire seasonal dedicated district prevention technicians to carry out work permit inspections as a portion of their regular duties. The effectiveness of this program is being closely monitored and assessed to determine if the results warrant consideration for staffing complement."

Forest Fire Detection and Prediction

The fire detection system utilizes light aircraft flying planned patrol routes with an observer on board to report locations and other fire detail. These "organized" detection flights discover about 25 per cent of all forest fires, with the remainder being reported by other aircraft or the public. The aerial detection patrols are planned in conjunction with such aids as the fire weather index system and the lightning locator system being tested in the Northwestern Region.

In addition to facilitating improved planning of aerial detection routes of patrol aircraft, the lightning locator system influenced decisions on the prepositioning and alert status of air attack and unit fire crew forces in anticipation of fire starts. An evaluation report prepared by the Regional Fire Control Supervisor documented the contributions made by the system during the 1981 fire season.

In view of the relatively economical costs of the lightning locator system (initial out-

lay $75,000 plus annual operating costs $35,000), we felt the system provided excellent value for the money invested.

We recommended that:

Installations in other regions prone to severe lightning occurrence be considered. In similar vein, we note that the 1980 overview committee recommended that existing detection technology be applied as soon as feasible for cost effective reasons.

Deputy Minister's reply:

"The Lightning Location Processing (LLP) system is now operational in the Northwestern Region. The North Central region system is now in place and will be fully operational for the 1983 fire season. During 1983 through to 1985 the system will be extended to cover the Northern, Northeastern and a portion of Algonquin Regions, thus providing operational coverage for the key lightning areas of the Province."

2.16 Potential for Increased Revenue, Ministry of Natural Resources

An audit of the Ministry included an assessment of the adequacy of internal controls pertaining to revenue systems for mining profits taxes (1982 revenue, $55.4 million), hunting and fishing licences and permits (1982 revenue, $14.1 million) and timber stumpage royalties (1982 revenue, $38.4 million).

We found that:

- **Significant interest income is being lost, since mining taxes are not required to be paid on an instalment basis as are federal and provincial income taxes.**
- **Rates charged for acreage taxes and mining leases have remained the same since 1962.**
- **Deficiencies were noted in the monitoring of revenue from hunting and fishing licences.**
- **Internal controls over timber stumpage revenues were adequate.**

DETAILED FINDINGS AND RECOMMENDATIONS

Mining Profits Taxes

a) Instalment Basis of Payment

The province levies a mining profits tax on mine operators which ranges from 15 to 30 per cent of mining profits, as defined by the Mining Tax Act.

At present, section 2(1) of the Act provides for payment of estimated tax payable two months after the mining companies' fiscal year end. Under the Federal Income Tax Act and Ontario's Corporation Tax Act, companies are required to pay on an instalment basis for estimated tax payable.

Significant interest income could be generated if the present method of payment was revised to the instalment basis of payment. Based on the average mining profit tax revenue received over the last five years, **average annual interest income of approximately $6 million would have been earned had payments been made on the instalment basis.** Accordingly, we recommended that the Ministry review the current provision under the Mining Tax Act dealing with the payment of taxes.

On September 28, 1982, the Deputy Minister replied as follows:

> *"As part of the review of the Mining Tax Act, a plan to pay taxes by instalments will be considered. It should be pointed out, however, that the advantage might not be as great as it appears on the surface. As a minimum, we would have to consider that:*
>
> *—the mining industry is a cyclical one where profits (and taxes) vary considerably from year to year*
>
> *—under the current Act, no interest is allowed on overpayments from the taxpayer until the mine assessor has received all information to complete his audit (which could be several years later), and then interest is paid at five per cent. Where the taxpayer underpays, interest is charged at 12 per cent on the underpayment beginning two months after the year-end*
>
> *—additional assessment work will be generated to monitor and process these payments. This, too, would increase our costs."*

b) Acreage Tax and Mining Leases

Acreage tax is levied when privately owned land is being used or held for mining purposes. Mining leases represent rent charged for the use of Crown land for mining purposes. The 1982 fiscal year revenue from acreage tax and mining leases was $538,000 and $181,000 respectively.

As a result of our general review on these types of revenue, three observations were noted.

1. **The fifty cents an acre rate as set out in section 658(1) of the Mining Act has remained the same since 1962 even though the costs of running the system of billings and collections have increased considerably since that time.**
2. The current charge for leasing of Crown land as stipulated under section 104(3) and 104(5) of the Mining Act is one dollar in the first year and either ten or twenty-five cents per acre for each subsequent year of the lease depending on the type of lease desired. **These rates have been in effect since 1962.**

3. **The interest penalty of 6 per cent as set out in section 671(1) of the Mining Act is low and may be a stimulus for the taxpayer to be delinquent on payments as noted by the $175,000 in acreage revenue outstanding at October 5, 1981.** Given that acreage tax is billed as of January 1st of each year these receivables have been outstanding for at least nine months.

We recommended that:

—Consideration be given to increasing the present acreage tax rate of fifty cents per acre.

—Consideration be given to increasing the current charge for leasing of Crown land.

—Considering that action has been pending for some time to raise the interest penalty to 18 per cent, the Ministry act promptly on this matter.

Deputy Minister's reply:

"Pending the revision of the Mining Act—scheduled for tabling in the House in the fall of this year or the spring of 1983—both the tax per acre and the interest penalty for unpaid taxes, as well as the charge for leasing Crown land, will be adjusted upward."

Hunting and Fishing Licences and Permits

Hunting and fishing licences and permits are sold on behalf of the Ministry by independent issuers appointed by the Minister. The Ministry issued a policy effective July 1, 1980 directing that the monitoring and collection of licence issuer accounts be delegated to the districts with responsibility assigned to the district manager. This directive stated that each issuer's statement of account and each Ministry report of outstanding accounts should be monitored by the district offices on a monthly basis. Based on our review in two districts and of ten issuers within those districts we noted the following:

1. **Some outside issuers were withholding sales revenue from the Ministry and not reporting sales on a timely basis.** In one case an issuer sold 187 small game licences between September and November 1981 and had not remitted funds for these licences as of May 4, 1982. In another case, an issuer had sold 410 small game licences between July 1981 and January 1982 and 27 deer licences between August and September 1981 for which he did not make a remittance until April 27, 1982.

2. **One issuer audited had changed location for over two years without Ministry records reflecting the change while another issuer had resigned for over six months, yet was still recorded as an active issuer with licences outstanding for which no payment had been made to the Ministry.**

3. **Neither district office recorded the licence serial numbers of the various blocks of**

licences issued to Ministry staff for distribution to the various issuers. This makes it extremely difficult to follow-up on missing licences.

For instance, in one district office we noted that 800 angling type licences of $12,000 face value could not be located or accounted for.

According to the Ministry, expired licences outstanding as at February 28, 1982 amounted to $1.1 million. Some of these licences had been expired for a number of months. Although we recognized that part of the outstanding total could be unsold licences, based on our audit work, we suspected that a significant part of this total represented unreported sales.

With respect to audits by the Ministry of outside issuers, we noted that:

1. **Evidence of audits conducted is not always available**; we understood that in some cases oral reports on audits were being communicated to the district manager rather than a fully documented written report.
2. **Audits did not always include a reconciliation of licences sold and on hand to the original allotment. This was a critical procedure, in our opinion.**

We recommended that the monitoring of hunting and fishing licence issuers by the Ministry district offices be improved, particularly with respect to the quality and frequency of audits on licence issuers.

Deputy Minister's reply:

1. *"Most revenue is collected on a regular basis and issuers are aware of their obligation to remit the sales of any month in the next following month. But it would take an audit of each issuer several times during the year to be certain that each one met his obligation. There are 3,000 non-Ministry issuers and about 2 million licences are processed each year.*

   "As a practical alternative, we do random inspections and monitor issuers' accounts by comparing them with last year's performance.

   "Licence accounts are monitored on a regular basis by Main Office staff, and districts are questioned as to action being taken when delays in payment or return of unsold licences are observed.

   "Revised collection guidelines have been developed which should streamline and strengthen the monitoring procedures used by district offices. These guidelines have been circulated for comment and will be issued shortly.

2. *"An issuer is required to inform the Ministry of a change of address. If he does not, only a random inspection or returned mail can inform us of this change. In this case, the issuer did*

> *not advise us but continued to maintain his account. Accordingly, the account in question has now been updated.*
>
> *"Regarding the 'resigned' account, it remains active until the outstanding balance of $31.00 is settled. The issuer is in a nursing home and additional shipments to this account had been suspended prior to your visit.*
>
> 3. *"The matter of the 800 non-resident angling licences has now been resolved.*
>
> *"Of 47 districts, 40 licence accounts are in balance, and of the remaining seven the variance between district and Main Office records averages $200.00.*
>
> *"With respect to the expired licences amounting to $1.1 million as at February 28, 1982, only $172,000 remains outstanding as at August 31, 1982. This total, which is made up of either unsold licences or amounts not yet remitted, is being decreased monthly and, based on previous years' experience, should be settled by the end of this year.*
>
> *"A revised checklist of work to be done during inspections will be developed to improve the quality of the work. Training workshops are also planned to implement the improved inspection program and the documentation necessary to record the work done during the inspection.*
>
> *"Furthermore, we intend to increase the number of inspections to the extent that we are able to do so."*

2.17 Performance Appraisals and Merit Increases, Resources Development Policy Field

The 1980 Report of the Standing Public Accounts Committee recommended that regular, accurate performance appraisals be stressed throughout the government at all levels and that salary rewards be tied to exceptional performance rather than to merely adequate performance of duties. The Civil Service Commission, in responding to the Committee's recommendation, stated that both assessed performance and experience should be recognized.

The Committee also directed the Provincial Auditor to include an audit of performance appraisal activities as part of his general audit. Accordingly, we selected one policy field, the Resources Development Policy Field, to perform specific work with the objective of determining whether regular, written performance appraisals were being stressed at all levels and to determine what proportion of employees eligible for merit increases, as distinct from the normal annual salary revisions, had their merit increases deferred as their performance did not justify a merit increase.

Our review of ministries in the Resources Development Policy Field revealed the following:

—approximately one-half of the ministries were completing periodic written performance appraisals while the others had introduced procedures to bring the necessary improvements in this area.

—only 22 employees of approximately 5,200 employees eligible for merit increases during the 1982 fiscal year had such increases deferred.

We acknowledge that the Ontario Manual of Administration allows for merit increases providing an employee's work is satisfactory and does not require performance appraisals to be written. **However, in our opinion, the lack of documented appraisals contributes to the reluctance of supervisors to recommend deferrals even though the employee's performance may have been less than satisfactory.**

2.18 Weaknesses in Administration and Monitoring of Grants to Native People, Provincial Secretariat for Resources Development

During the year, we conducted a review dealing with certain aspects of payments being made by the Province to Native people. The primary objectives of this review were to assess the potential for duplication of services as between the Federal and Provincial governments, to assess the procedures in place at the Ministry of Community and Social Services to ensure effective delivery and monitoring of the major assistance programs, and to assess the procedures in place at the Ministry of Culture and Recreation to monitor the usage of grants.

Based on our review, we concluded that:

- **The absence of a formal agreement between the Federal and Provincial governments could lead to duplication of effort or result in the Province funding services and projects which are more properly the responsibility of the Federal government.**
- **Procedures for ensuring the effective delivery and monitoring of Native assistance programs at the Ministry of Community and Social Services required upgrading.**
- **Grants verification procedures at the Ministry of Culture and Recreation needed improvement.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

Services to Native people in Ontario are provided by both the Federal and Provincial governments. The Province provides services to Native people through the programs of its ministries. The Provincial Secretary for Resources Development was designated as the Minister responsible for Native Affairs in September 1981. Coordination of policy development and program delivery has been provided by the Provincial Secretariat for Resources Development acting under the direction of the Cabinet Committee on Native Affairs and in conjunction with the Interministerial Committee on Native Affairs.

The cost of services provided to status Indians is significant. A survey completed by the Ministry of Treasury and Economics noted that identifiable Provincial costs for the 1978 fiscal year exceeded $85 million ($75 million indirectly through line programs and $10 million in direct grants) of which approximately 60 per cent was spent "On-Reserve". The study also indicated that funding towards services for the more than 65,000 status Indians is divided nearly equally between the Provincial and Federal Governments.

Potential for Duplication of Services

With respect to Federal-Provincial separation of responsibilities, the Ontario position has been that Canada has financial responsibility for the provision of all services to status Indians, except for the administration of justice. **However, no formal agreement has been negotiated between the two governments regarding their respective roles in providing services to Native people.**

In our opinion, the lack of firmly established Federal-Provincial areas of responsibility for the provision of services to status Indians creates a climate for administrative inefficiency and duplication of effort. Provincial ministries could be funding services and projects which are properly the responsibility of the Federal government. For example, **the Native Community Branch of the Ministry of Culture and Recreation has funded small businesses and agricultural enterprises on Indian Reserves which we felt were within the purview of the Federal government.**

On September 21, 1982, the Deputy Provincial Secretary for Resources Development replied as follows:

> *"The Secretariat reviewed the comments of the Office of the Provincial Auditor with respect to the absence of a formal agreement between the Federal and Provincial governments regarding their respective roles in providing services to Native people. The Secretariat accepts the opinion of the Provincial Auditor that this situation could lead to duplication of effort or result in the Province funding services and projects which are more appropriately the responsibility of the Federal Government.*
>
> *"It is worth noting that, for a number of years now, the Province has attempted to seek resolution of the issue of Federal/Provincial responsibilities for services to status Indians. It was hoped that this issue could be resolved within the tripartite negotiation process initiated by Ontario with Canada and Ontario status*

> *Indian representatives in 1978. However, Canada has indicated that the issue of responsibilities for status Indians is not resoluble in a provincial forum and will require a national forum for resolution. Hence, it is expected that this basic issue will be addressed in the context of the upcoming First Ministers' Conference on Aboriginal and Treaty Rights or through follow-up meetings to this Conference. In co-ordinating the Province's preparation for this Conference, the Secretariat will stress the importance of this issue.*
>
> *"In addition, in light of the concerns regarding possible duplication of federal/provincial expenditures on status Indians and the possibility that the Province funds services which are the responsibility of the Federal government, the Secretariat is exploring with the Ministry of Treasury and Economics the possibility that Treasury put into place a financial system which could accurately identify the Provincial cost of services to Native people."*

Ministry of Community and Social Services

a) Background

The Ministry of Community and Social Services, as the major source of direct funding for Indian bands, provides assistance for income maintenance (1982, $7.1 million), day nurseries (1982, $1.4 million) and residential/home support and counselling services (1982 $.6 million).

Although the delivery of these programs is the responsibility of the Province, the greater portion (approximately 95 per cent) of costs associated with delivering the assistance are recovered from the Federal government.

b) Income Maintenance

The Ministry has published a General Welfare manual intended to assist municipal and Indian band welfare administrators in the interpretation of the General Welfare Assistance Act. Administrators are appointed by the bands subject to the approval of the Ministry. Adequacy of support for claims is determined by area claims examiners, who visit local offices of welfare administrators on a regular basis to verify compliance with the Act.

The General Welfare manual lists the procedures designed to provide adequate administration of the program, but **we noted that there were no formal procedures in place to monitor the claims verification process.** We understand that such formal procedures were in place at one time, but that the requirement was discontinued with the advent of decentralization of the Ministry. Because there was no record of procedures actually carried out and no audit trail for individual claims examination, **we were unable to determine if the procedures carried out within the Ministry were adequate with respect to compliance with the Act.**

Accordingly, we recommended that the procedures currently employed for claims verification be formally documented.

c) Day Nurseries

Pursuant to the Day Nurseries Act, where the council of an Indian band has established a day nursery or otherwise arranged for day care, the band is entitled to payments in the same manner as if the band were a municipality.

For purposes of allocating day nursery spaces and determining the fees to be charged, municipalities in the areas we visited applied "needs tests". **These tests were not applied, however, by any of the Indian bands in the areas visited.** Additionally, we noted that all bands in one area charged a flat fee of $1 per child per day while another area, one band charged 50 cents and two bands made no charge.

Regulation 160 to the Day Nurseries Act, in dealing with computation of the Provincial grant specifies the income and assets to be considered in determining a person in need. However, the situation with respect to Indian bands was not entirely clear. The status of a draft Contribution Arrangement intended for completion between Canada and each Indian band had not been clarified. The draft Arrangement among its program conditions stated that:

> "The Band will ensure that the program is administered in accordance with the Day Nurseries Act and Regulation 160 of Ontario. . . ."
>
> "A means test under the Day Nurseries Act will be applied by the Band to determine users fee for the Day Care Service. . . ."

The existence of this draft Arrangement (agreement) and the lack of any specific guidelines have resulted in some confusion with respect to administering the Act for Indian bands. **In the interim, there would seem to be no eligibility criterion other than that recipients be approved by the band.**

We recommended that specific guidelines with respect to day nursery assistance for Indian bands be developed and that clarification of the conditions under which the Federal government will support the assistance be hastened.

d) Residential Home Support and Counselling Services

During the 1981 fiscal year, the total cost for all Residential Home Support and Counselling Services assistance in the Province was $14 million or approximately $2 per capita. An Indian band we visited received $199,000 or 33 per cent of the assistance provided to Indian bands under this program. On a per capita basis, the band received over $200 for each of its 900 members.

During our visit to the band, **we found that the claims for this category of assistance were not adequately supported. The files generally were not complete, contained contradictory items of information, or contained information indicating the recipients might not be eligible for the full amount of the subsidy claimed.**

There was no indication on the files that an attempt had been made to either complete the forms or to independently verify the information.

The Ministry indicated its concern about the inadequacies noted and expressed hope that the situation would have improved by the end of the current fiscal year. We were informed that the only reason the situation had been permitted to continue was reluctance to take such a drastic step as cutting off the program completely and thus cause suffering for those deserving assistance.

The Deputy Provincial Secretary replied as follows:

> *"Firstly, with respect to the recommendation that procedures currently employed for General Welfare claims verification be formally documented, the Ministry reported that formal procedures to 'monitor the claims verification process' are documented in the Claims Examination Manual. The procedures have been in place since 1976 and the requirements were not discontinued at the time of decentralization. This Manual is currently being re-written to comply with the standard Ministry format and is expected to be finalized shortly.*
>
> *"With respect to the difficulties experienced by the Provincial Auditor regarding an audit trail for individual claims examinations, the regional Income Maintenance specialists have been working with the Subsidy Claims Examiners to more clearly define the requirements in this area.*
>
> *"Secondly, regarding the recommendation 'that specific guidelines with respect to day nursery assistance for Indian Bands be developed and that clarification of the conditions under which the Federal Government will support the assistance be hastened', the Ministry reported the following:*
>
> *"Under the Indian Welfare Services Agreement between Ontario and Canada, the Province is receiving cost sharing (95%) for the funding of day care services provided by Indian Bands under the provincial Day Nurseries Act. Under the Act, Indian Bands may provide these services and receive provincial funding on the same basis as municipalities. A revised needs test and guidelines for day care services have been under development and are expected to be finalized shortly. The Auditor's comments are being considered during discussions with Federal authorities regarding the approval of the revisions for cost-sharing purposes.*
>
> *"Thirdly, regarding residential, home support and counselling services the Ministry reported that it has already initiated follow-up action in keeping with the intention stated in the final report."*

Ministry of Culture and Recreation

a) Background

The Ministry's Native Community Branch works with Native communities and organizations to encourage Native self reliance and participation in the life of the Province. The objectives of the Branch were to:

—Support Native heritage preservation and cultural continuity;

—Promote the development of human resources and leadership in the Native community;

—Assist Native communities in socio-economic development; and

—Facilitate direct Native access to government services and resources.

With these objectives as criteria, financial assistance in the form of grants is provided for projects in such areas as social development, small business creation, research, communications and Native heritage. Grants are also provided in the form of core funding for the support of Native organizations and for meetings where Native groups gather and discuss issues of common concern. Priority is given to locally initiated and sponsored projects.

The Branch's expenditures are included in the Ministry's Citizenship and Multicultural Support Program—Special Services for Native Peoples Activity. The grant expenditures for the 1982 fiscal year totalled $2.55 million.

b) Grant Verification Procedures

Each applicant for a project grant was required to submit a Managing by Results (MBR) statement. Additionally, for those applicants who, in the opinion of the Branch's consultants, may have had difficulty achieving the project's objectives or had submitted poorly framed MBR statements, the consultants prepared work plans. **Thus it was clearly evident that the Branch recognized the importance of the planning element for each project and had instituted adequate measures conducive to good planning.**

Our review of grants files, however, did not provide us with any evidence that the planning requirements were being monitored. We understood that project and financial reports are reviewed by the Field Consultant, Area Supervisor and Head Office staff who question any irregularity. **There was no evidence of this review on file nor was there any indication that any of the information had been verified.**

Many of the reports were late (several were still outstanding from the 1981 fiscal year) and not all of them provided sufficient information to permit assessment of the achieved results.

We recommended that formal verification procedures or audits be instituted on a selective basis to:

1. Ensure that the grant funds are being used as intended and as prescribed.
2. Identify disallowable costs.
3. Encourage the implied contractual compliance on the part of the organizations receiving the grants.

The Deputy Provincial Secretary responded to our comments as follows:

"The Ministry reported that it reviewed that section of the audit report on the Native Community Branch, and accepts the recommendations as outlined by your Office. Certain changes to procedures recommended for improvement are already in place and others will be implemented shortly.

"More specifically, the Ministry began a 'grants follow-up system' in October, 1980 which was fully operational by April 1981. This summer the Branch hired a student to do a comprehensive analysis on grants, including the gathering of all available verification data for 1980-81.

"Lastly, the Ministry reports that it is combining the findings of the Provincial Auditor with a recent consultant's report on the Native Community Branch as part of a total review of the Branch and its activities."

2.19 Continuing Systems and Other Deficiencies re Payment of Ontario Pensioners Property and Sales Tax Grants, Ministry of Revenue

Property and sales tax grants are paid to Ontario senior citizens pursuant to the Ontario Pensioners Property Tax Assistance Act, which came into force on July 1, 1980. For the year ended March 31, 1982, these grants totalled $294 million, and were paid through the Ministry's Guaranteed Income and Tax Grants Program.

During the year, we completed an audit of the system relating to these payments with the objective of assessing action that the Ministry had taken on the recommendations contained in section 2.20 of our 1981 Report to the Legislature. These recommendations called for improvements in the following areas:

—the filing and retrieval system for applications and other documents,

—the information contained in computer reports and master files,

—reconciliation of computer input to output,

—compliance with the application form for property tax grants,

—proper recording of accounts receivable arising from overpayments, and

—duties of Benefits Control Officers.

Resulting from our audit, we found that:

- **Although improvements had been made in the filing and retrieval system, further corrective action is required.**
- **Although progress had been made, problems were still being experienced with the computerized accounting system.**
- **Input to the system was still not reconciled with output.**
- **Problems in ensuring compliance with the application form for property tax grants were corrected by amending the application form.**
- **Many overpayments were still not being recorded as accounts receivable.**
- **Audits by Benefits Control Officers were sharply reduced in number, since staff was again seconded to assist in the delivery of the 1981 grant program.**

DETAILED FINDINGS AND RECOMMENDATIONS

Filing and Retrieval System—Applications and Other Documents

During our previous audit we observed that applications for grants were batched for data entry purposes and stored in the file room. As there was much time wasted in retrieving an application which had been rejected upon data entry or subsequent edits, and in view of the fact that other documents were filed alphabetically or by terminal digit of the plan number (OAS or SIN), we recommended that applications be filed by terminal digits of the plan number and that all documents be interfiled with the appropriate applicaton. We had further recommended that a separate file for each pensioner be created in which are filed the yearly grant applications of a pensioner together with all other documents pertaining to a particular person.

The Ministry is not in favour of maintaining a separate file for each pensioner on a continuing basis. Instead, files are to be maintained by year. Toward this end, and in accordance with our recommendation, the 1980 applications have been filed by terminal digit and all other pertinent documents were interfiled.

With regard to the 1981 applications, however, we found that many are still stored in batches. We also noted that much of the 1981 correspondence, and in some cases the 1981 applications were attached to the 1980 applications, thereby complicating file retrieval.

Computerized Accounting System

The records covering payments of grants made to pensioners are maintained on a computer master file. During our previous audit we observed that the grants paid on various master files had to be adjusted after audit or when pensioners requested an adjustment. Much of the information covering accounts receivable was faulty. **At the time of our latest audit, the system was still in the development stage and the computer could not accept journal entries covering certain transactions.**

We observed that batch and item numbers are used as the control numbers of each application and other documents. **Many of the batch numbers were used more than once, therefore creating problems for error correction or follow up.**

Reconciliation of Input to Output

During our examination we noted that the Guaranteed Income and Tax Credit (GITC) Branch does not perform a reconciliation of its input to the output for the grants paid. Requisitions for 1981 continued to be signed on the basis that the amount appearing on the computer reports was correct. **No verification has been made by the Ministry that the total dollar value paid is correct.**

We again recommended that all input be reconciled with output, and discrepancies followed up.

Compliance with Application Form

During our previous audit, we recommended that the Ministry ensure compliance with its prescribed form for property tax grants and obtain supporting documents (i.e. rent receipts) where required. The Ministry amended the application for the 1981 grant so that rent receipts were no longer required to be submitted with the application and pensioners were not required to provide their tax roll number of their real property. Therefore, the Ministry complied with our recommendation by amending its prescribed form.

Recording of Accounts Receivable

The Benefits Control Section of the GITC Branch performs an audit of the payments made under the Ontario Pensioners Property Tax Assistance Act. Any overpayments identified by it are recorded on audit worksheets and forwarded to the Operations Section for recording and recovery.

During our previous audit we found that many of the overpayments identified had either not been recorded at all, or in some instances recorded on manual cards, or in the computer master file or on both the manual cards and the computer system. Although we had recommended that all overpayments be formally recorded so that recovery can be facilitated, we found during our current examination that this recommendation was not implemented.

Our examination again disclosed that many overpayments identified by the Benefits Control Section have not been recorded in the Ministry's Accounts Receivable Records, and efforts for their recovery have not commenced.

We again recommended that the Ministry make every effort to reconcile the overpayments identified by the Benefits Control Section with the overpayments recorded in the Accounts Receivable records and commence recovery of same.

Inefficient Use of Benefits Control Officers

During our previous audit we recommended that Benefits Control Officers be made responsible for their audits, the preparation of computer input documents setting up overpayments which they had identified and that the Benefits Control Section perform a reconciliation for overpayments identified during audit and ultimately recorded as Accounts Receivable in the accounting records of the Ministry. In addition, we reported that Benefits Control Officers were assigned clerical duties to expedite the approval of grant payments, to interview pensioners who had sought advice from the Ministry as to why their property tax grant had not been paid.

Our current examination disclosed that Benefits Control staff was again deployed where needed to expedite program delivery for 1981, and to prepare journal entries and assist in the updating of accounts receivable and accounts payable control cards.

We also found that for the 1981 program delivery 4,400 audits were completed compared to 9,200 in the previous year. Overpayments identified for 1980 grants were $1,334,000 and for 1981 grants were $258,000.

We again recommended that Benefits Control Officers be used more efficiently, and that the Ministry give consideration to employing clerical staff at a much lower salary to action journal entries, perform telephone and personal interviews.

Other Matter—Payments to Management Consultant

During our discussions with operating staff, we ascertained that the Ministry had engaged several management consultants. One of these consultants was to act as Executive Co-ordinator for the 1981 program delivery for the period September 17, 1981 to March 30, 1982 under three contracts each at $14,999. **These contracts extended for one continuous period and could have been covered by one contract. In that event tendering would be required by the Ontario Manual of Administration. Tenders were not called for in this case.**

The foregoing matters were reviewed in draft form with Ministry officials. However, no formal report had been issued as at September 30, 1982, the date of this Report. Therefore, we are unable to present the Ministry's views on the subject matter.

2.20 Insufficient Controls Over Moveable Assets, Ministry of the Solicitor General

One of the objectives of a recent audit of the Ministry of the Solicitor General was to assess the adequacy of internal controls and compliance with established policies and procedures in the following areas:

—moveable assets,

—purchasing and accounts payable

—payroll, with respect to employee terminations, and

—computerized expenditure system.

We concluded that controls in the latter three areas were generally satisfactory. However, regarding moveable assets, we concluded that controls were not satisfactory.

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

Expenditures by the Ministry on the purchase of moveable assets amounted to approximately $11.5 million in the 1982 fiscal year.

Section 35-8 of Volume 1 of the Ontario Manual of Administration indicates that ministries are to establish control systems to provide for the control, security, loan and disposal of moveable assets. All moveable assets having a unit cost of $200 or more, or having an estimated life of one year or longer, are required to be uniquely numbered and to be controlled by perpetual records.

Financial Services Branch

The Ministry's Financial Services Branch (FSB) does not maintain perpetual inventory records for applicable ministry moveable assets, except for typewriters and some calculators, nor did the present records indicate the cost of asset acquisitions. Also, the FSB does not uniquely label its moveable assets.

Management advised that staff constraints make it difficult to rectify the above situation which has existed for several years. We were also informed that a consultant was in the process of carrying out a study of all aspects of the Financial Services Branch, including moveable assets. We expect, therefore, to see some improvement in the future.

Fire Safety Services Activity

Expenditures by Fire Safety Services (FSS) on supplies and equipment amounted to approximately $704,000 in the 1982 fiscal year. A substantial portion of these expenditures related to the purchase of motor vehicles and equipment for fire fighting, training, photographic or audio visual purposes.

In our review of the FSS asset records, maintained by the FSS Administration section, we determined that:

—The vehicle inventory listing was incomplete and inaccurate.

—No records were being maintained for mobile radios.

—Except for vehicles, the FSS did not maintain asset records for the Ontario Fire College. For many years the Ontario Fire College has not submitted an inventory listing of its assets to either the Financial Services Branch or the FSS.

—Existing asset records were not being updated on a timely basis. Transfers of assets between sections of the FSS could occur without the FSS Administration section being notified.

—There were no procedures in place to determine when a vehicle is to be traded or scrapped.

—Duplicate asset records were being maintained by FSS sections and also the Administration section.

—No preventive maintenance program for FSS vehicles had been established.

—Asset records did not indicate the cost of assets, and moveable assets were not uniquely labelled.

We recommended that the necessary steps be taken to correct these deficiencies and ensure compliance with government policy.

On September 30, 1982 the Deputy Solicitor General wrote to us as follows:

Financial Services Branch

> *"The comments of the auditor on moveable assets are valid as noted. The auditor was advised that staff constraints indeed make it difficult to rectify the noted weaknesses. The report of the consultant noted in the audit observations has also stated that the weaknesses outlined do exist.*
>
> *"The required systems development to correct the problems would be fairly costly in financial and human resources. This development has been assigned a lower priority than other more pressing developmental needs in the Financial Services Branch that directly affect the operations of the Ministry. This will not, however, detract from our responsibility in regard to moveable assets and every attempt will be made to make improvements as soon as possible."*

Fire Safety Services Activity

> *"An accurate vehicle inventory listing is maintained in the Administrative Services Section. It may have been incomplete for a period of time with the acquisition of vehicles leased by the LLBO which were later purchased by the Ministry for use by the Hotel Fire Safety Section. Apparently that period coincided with the audit review.*
>
> *—Our records have been reviewed and will include mobile radios as recommended.*
>
> *—A listing of the assets of the Ontario Fire College has been submitted to Administrative Services as recommended.*
>
> *—Steps have been taken to improve the updating of all assets records. Transfers of assets between Sections are authorized by Administrative Services.*
>
> *—In the past, most of our vehicles were used O.P.P. vehicles, and a nominal sum was spent on repairs and painting. Our procedure has been to dispose of vehicles when they are*

beyond economical repair. With the substantial increase in the fleet, our fleet management system is presently being reviewed.

—Duplicate asset records are maintained by Sections for convenience only. It is expected that the official records will be maintained by Administrative Services as part of the central file registry.

—A preventive maintenance program for O.P.P. used vehicles is in place and is a carry-over from the O.P.P. system. We are presently working on a preventive maintenance program for all our vehicles.

—At the present time, the Ministry procedures for the recording of assets are being followed. A Ministry-wide system is under review. Until a decision is made in this regard, our present system will continue."

2.21 Provincial Funding of Minaki Lodge and Royal Ontario Museum Capital Projects, Various Ministries

In January 1974, the Province, through Northern Ontario Development Corporation, assumed ownership of Minaki Lodge Resort Ltd. pursuant to Order in Council 105/74. The current major construction project at Minaki Lodge, which commenced in 1980 and is being financed through the Ministry of Northern Affairs, consists of relocating the existing guest cottages which will be used for staff housing, renovations to the main lodge and construction of conference facilities, the construction and furnishing of 120 guest rooms and site servicing.

In 1978, The Royal Ontario Museum embarked on a project involving major renovations to, and expansion of, the Museum's facilities. The project consists of the building of a new Curatorial Centre, the building of new Terrace Galleries and the renovation of the Main Building (including construction work on the Planetarium Plaza).

Both Minaki Lodge and The Royal Ontario Museum have been referred to in our previous annual Reports to the Legislature, and have also been reviewed at meetings of the Standing Public Accounts Committee. Since both projects are still in progress and are of continuing interest to the Legislature, we felt that a current update on the costs and status of these projects would provide beneficial information.

MINAKI LODGE

GENERAL SUMMARY

- **At March 31, 1982, the Province's total investment in Minaki Lodge Resort Ltd. amounted to $21.8 million. When the current construction**

project is completed and the new lodge opens in the spring of 1983, the total investment is expected to be approximately $28.4 million.

- **The total costs of ancillary projects related to Minaki Lodge which are now in process and being funded by the Province, are estimated to be $16.7 million, of which $8.0 million has been paid to March 31, 1982.**

DETAILED COMMENTARY

Overview

In its March 1977 report to the Legislature the Standing Public Accounts Committee recommended that:

1) Every reasonable step should be taken by the Ministry of Industry and Tourism to dispose of the assets of Minaki Lodge by sale to the private market; and
2) Failing recommendation number 1, the Government should develop a plan for the future of Minaki Lodge and report to the House as soon as possible.

Proposals received from the private sector for the sale of Minaki Lodge were not considered to be satisfactory. Cabinet subsequently authorized the completion of Minaki Lodge, with the provision that the Minaki Board find a private sector hotel/resort chain operator who would advise the Board on various aspects of construction, and operate the Lodge on behalf of the Province.

On April 21, 1980, the then Minister of Industry and Tourism announced in the House that a management agreement had been signed with a major international hotel chain, and that operation of Minaki Lodge would commence in the spring of 1982. Because of unforeseen construction delays, the lodge was unable to open on the planned date.

Current Status

Construction now in progress, which commenced in 1980, is presently scheduled for completion this fall, and we have been advised that the lodge will open to the public in the spring of 1983. Details of costs related to this construction are as follows:

- Project costs were originally estimated to be $15.6 million in 1980, but were revised to $19.2 million in 1981. The primary reasons for the $3.6 million increase were stated as being inflation and revisions to the project to increase safety, reduce long-term maintenance costs and improve the quality of the lodge.
- Costs incurred on this project to March 31, 1982 totalled $12.7 million. Assuming the $19.2 million total estimate holds firm, the remaining $6.5 million will be spent during the 1983 fiscal year.

Since assuming ownership of Minaki Lodge Resort Ltd. in 1974, the Province's total investment in the lodge to March 31, 1982 amounted to $21.8 million. This investment consists of the total funds advanced in connection with the current and previous construction projects, as well as ongoing advances for the maintenance and operations of the main lodge. **After taking the estimated costs to complete the current construction project and operating subsidies into consideration, the Province's total investment will be $28.4 million when the newly renovated lodge opens in the spring of 1983.**

Ancillary Costs

In addition to its direct investment in Minaki Lodge, the Province, primarily through the Ministry of Northern Affairs, has provided funding for certain ancillary projects which are related to the Minaki Lodge project. A summary of these projects is as follows:

(a) Highway Improvement—In order to improve the road access to Minaki Lodge the Ministry of Northern Affairs is funding the reconstruction of Secondary Highway #596 from Keewatin to Minaki. The estimated cost of this project is $15,474,000, of which $7,928,000 has been spent to March 31, 1982.

(b) Improvement of Minaki Airport—The Ministries of Northern Affairs and Transportation and Communications are funding the upgrading of Minaki Airport to a Class D licensable facility. The upgrading is scheduled for the March 31, 1983 fiscal year at an estimated cost of $850,000.

(c) Community Improvements—The Ministry of Northern Affairs is funding certain community improvement projects within the village of Minaki so it will be an attractive tourist community. The estimated cost of these projects, which include manpower training and local road improvements, is $406,000, of which $69,000 has been spent to March 31, 1982.

In summary, ancillary costs incurred to March 31, 1982 amounted to $8.0 million, and a further $8.7 million has been budgeted for the 1983 fiscal year, resulting in total ancillary costs of $16.7 million.

Management Agreement

The agreement with the international hotel chain to operate and manage Minaki Lodge provides the manager with:

—an annual management fee calculated as the greater of 5% of gross operating income or $100,000 U.S. funds (or Canadian equivalent),

—an annual incentive fee of 10% of gross operating profit, and

—a one-time technical assistance fee of $75,000 U.S. funds (or Canadian equivalent).

ROYAL ONTARIO MUSEUM

GENERAL SUMMARY

- **Construction is expected to be completed in December 1982 and total capital costs upon completion are estimated at $56.85 million. As at July 31, 1982 total capital costs amounted to $50.27 million.**

- **These amounts do not include certain overhead costs related to the project which, at March 31, 1982 exceeded $700,000, nor do they include any provision for additional costs related to gallery exhibit development, which will be incurred from October 1982 to February 1984 and are estimated to be $2.75 million.**

- **In June 1982, the Museum had identified $53.83 million as being the total amount of funds received to date for the project, including future pledges and commitments.**

DETAILED COMMENTARY

Capital Costs

The original capital budget for this project, as approved at a November 1977 Museum Board meeting, was $44 million. This amount included allowances of $5.3 million for escalation (inflation) of construction costs and contingencies. However, as at December 31, 1979, the estimated project capital costs had risen to $51.09 million. The main factor contributing to this increase was stated as being higher than anticipated inflation.

As at July 31, 1982, based on a summary submitted by the Museum to the Ministry of Citizenship and Culture, the estimated project capital costs had further increased to $56.85 million. As at the same date, actual project capital costs amounted to $50.27 million.

In connection with the preceding amounts, the following should be noted:

- **In addition to the direct capital costs, the Museum is incurring certain overhead costs related to the project, examples of which are fund-raising costs and interim financing. To March 31, 1982, such costs exceeded $700,000.**

- **The amounts do not include any provision for estimated additional costs related to gallery exhibit development. Based on correspondence in June 1982 from the Museum to the Ministry, $2.75 million has been forecasted for such costs during the period from October 1982 to February 1984.**

Project Financing

The majority of the funding for the Museum's renovation/expansion project has been supplied by the Province of Ontario, through grants from the Ministry of Culture and Recreation (now Citizenship and Culture). At the time of the Standing Public Accounts Committee's February 1980 meeting, the Province had committed a total of $34.57 million, consisting of general grants, matching and special Wintario grants, and a Lottario grant in lieu of Federal assistance.

In May 1981, the Province committed an additional $3 million in Lottario capital grants with the understanding that the Board would undertake to continue fund raising in the private sector with the aim of matching these grants. Therefore, the Province's commitment towards the project now stands at $37.57 million.

Other sources of financing for the project include a $5 million grant from Metropolitan Toronto, other miscellaneous grants and donations from the private sector.

In correspondence to the Ministry of Citizenship and Culture, the Museum's Director noted that, as at June 10, 1982, the Museum had identified $53.83 million as being the total amount of funds received to date including future pledges and commitments. As previously stated, the estimated project capital costs, not including overhead and additional gallery exhibit development costs, are $56.85 million. Therefore, to complete the project, the Museum will need to obtain funding in addition to the amounts committed or pledged to date.

As an interim measure, on June 30, 1982, an Order in Council was issued, authorizing the Museum to borrow up to $5 million upon its own credit at prevailing interest rates. Such loans will provide the Museum with interim financing for project costs until such time as certain pledges and commitments are received.

Project Status

We have been advised that the status of the project as at July 31, 1982 is as follows:

- the construction of the Curatorial Centre was completed in March 1981, and was completely occupied by the Museum in July 1981.
- construction of the Terrace Galleries is expected to be completed in December 1982. A portion of the Galleries should be open to the public in late 1983, with the remainder to be open as funds are made available for gallery development.
- renovations to the Main Building are nearing completion, and it should be open to the public in early October 1982.

The preceding dates, of course, could be influenced by the status of current disputes in the construction industry.

2.22 Expenditure of Royal Commissions

Royal Commissions are defined in the Ontario Manual of Administration as "commissions, judicial inquiries, inquiries and other investigatory bodies appointed by Order in Council under the power of the Public Inquiries Act or appointed under any other Act where the investigatory body is given the powers of a Commission appointed under the Public Inquiries Act''.

Expenditure detail for the $1,857,894 incurred by Royal Commissions in the 1982 fiscal year is reflected in Volume 3 of the 1981-82 Public Accounts. A summary of the cumulative expenditure incurred by Royal Commissions that were active during any portion of the past five fiscal years is as follows:

Subject Matter	Date Established		Status as at March 31, 1982 *	Expenditure 1982 $	Cumulative Expenditure $
Northern Environment	July	13/77	In Process	1,249,731	6,238,356
Electric Power Planning	July	17/75	Completed	—	5,221,268
Violence in the Communications Industry	May	7/75	Completed	—	2,239,668
Freedom of Information and Individual Privacy	Mar.	30/77	Completed	—	1,676,431
Confidentiality of Health Records	Dec.	21/77	Completed	1,711	1,438,858
Status of Pensions	Apr.	20/77	Completed	3,120	1,180,195
Metropolitan Toronto	Sept.	10/74	Completed	—	1,079,099
Toronto Jail and Custodial Services	Oct.	9/74	Completed	—	932,444
Health and Safety Arising from Use of Asbestos	Apr.	29/80	In Process	510,558	702,360
Health and Safety of Workers in Mines	Sept.	10/74	Completed	—	496,014
Aluminum Wiring	Apr.	6/77	Completed	—	470,530
Discounting and Allowances in the Food Industry in Ontario	Aug.	23/78	Completed	—	442,205
Hamilton-Wentworth	Sept.	14/77	Completed	—	394,492
Waterloo Region	Sept.	14/77	Completed	—	367,000
Care of Kim Anne Popen	Mar.	2/78	In Process	92,774	307,591
Algoma University College	Mar.	10/76	Completed	—	245,330
Waste Management Inc.	May	15/77	Completed	—	201,247
Toronto Islands	Aug.	1/80	Completed	—	198,649
Acquisition by the Ministry of Housing of Certain Lands in the Community of North Pickering	Oct.	26/76	Completed	—	142,375
Collective Negotiation Process between Teachers and School Boards	Oct.	24/79	Completed	—	109,853
Ronto Development Company	Apr.	20/77	Completed	—	52,242
Behaviour of Provincial Judge Harry J. Williams	Sept.	21/77	Completed	—	38,498
Use of Fuels Containing Poly-chlorinated Biphenyls (PCBs)	Feb.	14/79	In Process	—	6,482
				1,857,894	24,181,187

* Considered completed when final report issued.

2.23 Expenditure of Select Committees

Select Committees are appointed by order of the House to consider matters upon which the House desires information and assistance. Expenditure detail for the $182,417 incurred by Select Committees in the 1982 fiscal year is reflected in Volume 3 (Office of the Assembly) of the 1981-82 Public Accounts. A summary of the cumulative expenditure incurred by Select Committees that were active during any portion of the past five fiscal years is as follows:

Subject Matter	Date Ordered	Status as at March 31, 1982 *	Expenditure 1982 $	Cumulative Expenditure $
The Corporations Act of the Province of Ontario and Related Acts and Regulations	June 22/65	Ongoing	70,019	2,355,097
Ontario Hydro Affairs	Nov. 24/77	Completed	—	1,273,400
Report of the Ombudsman	Oct. 29/75	Ongoing	34,278	395,485
Highway Safety	May 25/76	Completed	—	356,706
Highway Transportation of Goods	May 25/76	Completed	—	275,866
Constitutional Reform	June 3/80	Completed	—	129,652
Inco and Falconbridge Layoffs	Nov. 10/77	Completed	—	118,232
Health Care	June 19/78	Completed	—	88,902
Pensions	July 2/81	Completed	78,120	78,120
Plant Shutdowns and Employee Adjustment	Oct. 28/80	Completed	—	30,526
			182,417	5,101,986

* Considered completed when final report issued.

3

COMMENTS ON CROWN AGENCY OPERATIONS

3.1 Introductory Comments

The term Crown Agency for purposes of this segment of the Report includes both agencies of the Crown and Crown controlled corporations, as defined in Exhibit 1 of this Report. A listing of agency of the Crown and Crown controlled corporation audits, by category, for the year ended March 31, 1982 is included as Exhibit 7 of this Report.

3.2 Summary of Audit Observations

The following summary is presented in order to provide the reader a brief overview of the audit observations contained in this chapter. For our detailed observations and recommendations, reference should be made to the relevant detailed sections of this chapter.

The Development Corporations

(3.3)

- Securities were not always being registered or obtained in the case of loans guaranteed by Ontario Development Corporation.
- The Ontario Development Corporation was not being provided timely information from lending institutions as to the status of loans guaranteed by the Corporation.
- Lending institutions are at times charging more than the prime interest rate on loans that are fully guaranteed by the Development Corporations.

The McMichael Canadian Collection

(3.4)

- The Collection needed written policies for assigning monetary values to donated works of art and for disposals and loans to previous owners of works of art.
- Due to several changes that were deemed to be necessary, the estimated cost of major renovations to the gallery has risen from $4.7 million to $9.45 million.

Office of the Ombudsman

(3.5)

- The Office is in need of a policy regarding quotes or bids for procurement of goods and services.

- Increases in Office travel expenses were mainly due to out of Province trips to conferences.

The Ontario Educational Communications Authority

(3.6)
- Based on an agreement, the Authority must pay the entire costs of completing the production of a major series of films.

Ontario Food Terminal Board

(3.7)
- Contrary to a recommendation of the Standing Public Accounts Committee, the Board was still engaging in non-arms length transactions with relatives of a senior Board employee.

Ontario Northland Transportation Commission

(3.8)
- Physical security of the computer operations area was weak, and provision for backup processing facilities was inadequate.
- Internal controls for the processing of data were sound and reliable.

Ontario Place Corporation

(3.9)
- A lack of due regard for economy was noted in relation to certain costs connected with the construction of a new exhibit.

Ontario Waste Management Corporation

(3.10)
- An interest free loan of $50,000 was granted to a newly hired employee in October 1981.
- Based on payments made, the total cost to the Corporation of the Chairman's services was approximately $100,000 for the year ended March 31, 1982.
- There were deficiencies in the control over payments to engineering consultants.
- From an economy standpoint, we questioned the necessity of engaging a second auditor to express an opinion on the combined financial statements.

Toronto Area Transit Operating Authority

(3.11)
- Serious deficiencies were observed in accounting and internal controls.

Workmen's Compensation Board

(3.12)
- Improvements are needed in the planning and effectiveness measurement of the Board's Field Audit Section activities.

3.3 Safeguards Needed re Loan Guarantees, the Development Corporations

The combined audited financial statements of the three Development Corporations (Ontario, Northern Ontario and Eastern Ontario) for the year ended March 31, 1982 are reproduced in Volume 2 of the 1981-82 Public Accounts. These Corporations were established to encourage and assist in the development and diversification of industry in Ontario. The Corporations provide financial assistance by loans, grants, guarantees or purchase of shares or other securities, and the provision of sites, equipment, premises, facilities and services.

LOAN GUARANTEES

Overview

The three Development Corporations offer loan guarantees where adequate funding would not otherwise be available. This encourages private lender participation. The funds for these working capital loans to the borrowers are provided by the lending institutions, but guaranteed by the Province of Ontario. The maximum guarantee given under the program is $1,000,000 and the interest rates charged to the borrowers are determined by the lending institutions. As of March 31, 1982 guarantees in the amount of $97 million were authorized by the Corporations (Ontario—$75 million, Northern Ontario—$14 million and Eastern Ontario—$8 million).

Security Registration

Policy requires that security be obtained by the Corporations for guarantees provided to the lending institution. A debenture is usually obtained secured by a mortgage upon the borrower's assets. Other lenders, guarantors, also have mortgages upon the borrower's assets, in which case, subordinations, postponements and security sharing agreements from other lenders are required to determine the priority of each lender's security.

In our review of ten guaranteed loans which had been honoured by Ontario Development Corporation, we noted one instance where the debenture mortgage was obtained but not registered, thus invalidating the mortgage against other creditors. In another instance, although a lender had agreed in principle to a security sharing agreement, it had not been obtained. These measures are required in order to legally record and protect the Corporation's claim on the borrower's assets.

The Corporation's failure to obtain the security sharing agreement mentioned above resulted in security of approximately $200,000 not being realized by the Corporation at the time of liquidation.

Monitoring of Guarantees

The number of loan guarantees approved by the Development Corporations has steadily increased over the past few years. As at March 31, 1982 total guaranteed loans approved by the Ontario Development Corporation amounted to $75 million. As well, payments on account of guaranteed loans increased significantly in the 1982 fiscal year to $4.9 million from $1.6 million in the prior year.

The Corporation must rely on the lending institutions to provide information on the status of the borrower's loan. **We noted that there was an overall lack of cooperation from the lending institutions in reporting on a timely basis when financial difficulties are experienced by the borrower in repaying the loan.** In fact, the Corporation is not usually forewarned until the institution formally calls the guarantee.

From the institutions viewpoint there may not be the same incentive to follow-up on problem loans when these are guaranteed by the Province. **From the Corporation's viewpoint it is essential that they be advised of problems prior to the calling of the guarantee, as at this point in time it is usually too late for the Corporation's consultants to intervene to determine what action, if any, can be taken to resolve the borrower's difficulties.**

We were advised that measures have been instituted to ensure that more effective monitoring procedures are instituted with respect to guaranteed loans. These measures included a change in the guarantee agreement and improved coordination with the lending institutions to ensure the Corporation is promptly advised of loan payment delinquencies.

Interest Rates

The normal guarantee agreement of the Corporations with lending institutions states that, if called upon, the Corporations would honour the borrower's loan at the lender's prime lending rate of interest. **In our review of loan guarantees we noted instances where lenders charged borrowers prime plus 1.5-3 per cent, in spite of the fact that there is no risk involved to the lenders.**

The Manual of the Office of the Treasury stipulates that where guarantees are involved, the interest rates applying to loans should usually be at the bank's prime lending rate. **In view of the increase in default on loans guaranteed and the fact that high interest rates may be a contributing factor, we felt that the Corporations should attempt to have the interest rates charged to borrowers by the lending institutions on guaranteed loans set at the prime lending rate.**

The foregoing comments were included in reports dated September 30, 1982, the date of this Report. The Corporations have not had an opportunity to respond and we are, therefore, unable to present their views on the subject matter.

3.4 Various Audit Observations, The McMichael Canadian Collection

The objects of The McMichael Canadian Collection, established as a corporation without share capital, include the operation of the Collection as an exhibit for the benefit of the public and the preservation of the corporate lands as a permanent site for a public gallery and related facilities for the Collection. As at March 31, 1982, total assets of the Collection's General, Special and Capital Construction Funds amounted to $1.5 million, with corresponding liabilities and fund equities.

VALUATION OF DONATED WORKS OF ART

During the year the Collection acquired works of art at a value of $293,000. Of this amount, tax receipts totalling $212,000 were provided to donors.

The Collection, however, does not have a documented policy for assigning a monetary value to a donated work of art. In this regard, we noted that four independent appraisals were obtained for a donated work of art. Two of these appraisals, obtained in October 1981 on behalf of the donor, indicated values of $150,000 and $160,000. A third appraisal, obtained in December 1981 at the request of the Board of Trustees, indicated a value of $60,000 U.S. A fourth appraisal, obtained in February 1982 at the request of the Director of the Collection, indicated a value of $45,000. Nevertheless, **a tax receipt was issued to the donor for $160,000.**

In January 1982, the Board of Trustees approved certain general procedures to be followed when works of art are donated to the Collection. In addition, the Collection has recently prepared draft bylaws which require:

—Board approval of all acquisitions;

—The Director to recommend the works of art that are to be accepted into the Collection;

—That all proposed donations must be accompanied by a signed gift agreement and at least two independent arms length valuations of the gift. A single valuation will be adequate only if it is prepared by the Professional Art Dealer's Association of Canada.

At the conclusion of our audit, these draft bylaws were awaiting review and approval by the Board of Trustees.

With respect to the section of the bylaws dealing with two independent appraisals, we recommend that the Collection develop and document procedures to be followed when there are significant differences between the appraisals.

LISTING OF WORKS OF ART

The Collection recently implemented a new registration system for all of its works of art. **As a result of this project, the Collection learned that it had in its possession several works of art for which i) formal authorization for acquisition had not been received, and ii) were not covered under a loan agreement.**

We were advised that the Collection is taking steps to rectify this situation.

POLICIES RE DISPOSALS AND LOANS OF WORKS OF ART

There were no written policies for dealing with disposals of works of art and loans to previous owners of works of art. However, under its draft bylaws the Collection has indicated its intention to establish an Art Acquisition Committee. The responsibilities of this Committee will include advising the Board of Trustees about disposals and loans to donors of works of art.

We recommended that the Collection establish and document criteria that can be used to evaluate whether a work of art should be disposed of or loaned to donors.

GALLERY RENOVATIONS

The Collection has undertaken a project of major renovations to its gallery at an originally estimated cost of $4,700,000. This project included the installation of a fire safety system, the remodeling of the gallery to make it fully accessible to disabled patrons and improvements to the restaurant and kitchen ventilation systems.

Subsequent to the commencement of the project it became evident that the gallery would require additional renovations in order to improve heating, humidification and security systems and to comply with structural and safety standards of the relevant authorities. The cost of these further renovations has been estimated at $4,750,000.

Temporary relocation costs for the Collection's art, artifacts and offices during the period of renovations have been estimated at $600,000.

Funds for the total estimated costs of the project have been committed by the Ministry of Citizenship and Culture as follows:

Grants	$ 9,200,000
Loan	850,000
	$10,050,000

As of March 31, 1982, $2,150,000 had been expended by the Collection on this project.

Under standing Order No. 33(b) of the Legislative Assembly, the Annual Report of the Ministry of Culture and Recreation for the year ended March 31, 1981 has been referred to the Standing Committee on Social Development so that the Committee may conduct an enquiry into the spending and proposed spending for renovations incurred by or on behalf of The McMichael Canadian Collection.

Although the preceding matters have been reviewed with officials of the Collection, no formal report had been issued as at September 30, 1982, the date of this Report. Therefore, we are not able to present the Collection's views on the subject matter.

3.5 Audit Observations, Office of the Ombudsman

The financial statements of the Office of the Ombudsman for the year ended March 31, 1982 reflect total expenditure of $4.8 million. Expenditure of the Office is made out of moneys appropriated by the Legislature.

PURCHASING POLICY AND PROCEDURES

The administrative procedures manual of the Office of the Ombudsman does not provide for a policy regarding quotes or bids for procurement of goods and services.

During our review we noted payments, in amounts of $4,600 and $5,220, to two different suppliers of services where competitive quotes or bids had not been documented. In a further case a supplier was awarded a printing contract of $6,200 based on immediate need, previous excellent results and quotation in line with other printing firms. Subsequently, additional quotations were obtained, two of them being lower than the selected supplier.

We were advised that a policy and procedures would be developed in compliance with the Ontario Manual of Administration, Competitive Purchasing, and that specified dollar amounts would be set as guidelines for obtaining competitive quotes or bids.

TRAVEL

The Office's travel expenses increased from $99.6 thousand in the 1981 fiscal year to $133.3 thousand for the 1982 fiscal year. This increase was mainly due to an increase in conference travel.

The Ombudsman and his Executive Director travelled to British Columbia, Hawaii, Fiji, Australia, New Zealand and San Francisco from January 8 to February 8, 1982. Meetings were held with ombudsmen and government officials which included discussion of Freedom of Information legislation.

While in Fiji, the Ombudsman and his Executive Director also attended a meeting of the International Ombudsman Consultative Committee from January 17 to 19, 1982. The meeting was to determine which country would host the Third International Ombudsman Conference and to discuss the proposed agenda.

The cost of the preceding travel was as follows:

	$
Airfare	10,000
Accommodation	7,500
Meals and other	6,300
	23,800

The foregoing observations were reviewed in draft form with officials of the Office. However, since no formal report had been issued as at September 30, 1982, the date of this Report, we are unable to present the Office's views on the subject matter.

3.6 Observations re Significant Production Agreement Costs, The Ontario Educational Communications Authority

The principal objects of the Authority, a corporation without share capital, are to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields, and to engage in research in relevant fields of activity. As at March 31, 1982, the Authority's assets totalled $14.9 million, with corresponding liabilities of $9.1 million and equity of $5.8 million. For the 1982 fiscal year, revenue, including grants of $22.9 million from the Province of Ontario, amounted to $29.5 million. Expenditure, including fixed assets purchased from revenue, totalled $29.3 million.

AGREEMENT WITH PRODUCTION COMPANY

In November 1980 the Authority entered into an agreement with a film production company. Under this agreement the company undertook to produce a film series dealing with the contemporary history of the Middle East. Production costs were estimated at $1,035,000 of which the Authority was required to contribute approximately $505,000. At that time, the Authority entered into another agreement with the same company to guarantee completion of the production should the company be unable to do so. In this event, the costs required to complete the series would be borne entirely by the Authority. The agreement required the production to be completed by June 30, 1982.

On July 7, 1982 the company informed the Authority that a total of $1,065,000, including the Authority's $505,000 contribution, had been made available for production costs and that, for various reasons they (production company) were unable to complete the production. At the same time they invoked the completion guarantee against the Authority. We understood that the Authority was reviewing the status of the production and was evaluating the various methods of completing the production.

Our overview of the management of this production indicated the following:

(a) A series of cost projections, estimating the cost overrun on completion of the production were prepared in November 1981. These projections indicated a range of cost overrun from $162,000 to $528,000.

(b) No provision in any of the agreements provided for the discontinuance of the

production should excessive costs occur. Alternatively, no provision was made for the sharing of any significant cost overruns among the parties involved.

(c) **No documentation regarding the revenue potential of this production could be provided, despite the cost of the production being in excess of $1 million.**

(d) From our review of the minutes of the Board of Directors meetings, **we noted that the Board was not informed of the problems associated with this production.**

CRIMINAL CHARGES

An investigation by the Ontario Provincial Police into alleged fraudulent activity by a former employee of the Authority led to the issuing in February 1982 of a warrant for his arrest on a charge of theft over $200. The charge relates to alleged fraudulent endorsement of talent payroll cheques.

Although the preceding observations have been reviewed with officials of the Authority, no formal report had been issued as at September 30, 1982, the date of this Report. Therefore, we are not able to present the Authority's views on the subject matter.

3.7 Non-Arms Length Transactions, Ontario Food Terminal Board

The Board's audited financial statements for the year ended March 31, 1982 are reproduced in Volume 2 of the 1981-82 Public Accounts. Objects of the Board include the creation and operation of a wholesale fruit and produce market, as well as the acquisition and operation of facilities required by the Food Terminal for the transportation and handling of fruit and produce.

In section 94 of our March 31, 1979 Report, we noted that certain transactions between management and the Ontario Food Terminal Board were non-arms length, involving the part-time employment of members of immediate family and the purchase of a vehicle from a Board employee. We recommended that "such transactions be strictly prohibited by the Board and the fact of such prohibited practices be communicated in writing to the appropriate levels of officers and employees of the Board."

On December 9, 1980, the Standing Public Accounts Committee reported that it supported the recommendations of the Provincial Auditor that non-arm's length transactions be strictly prohibited by the Ontario Food Terminal Board. On January 20, 1981 the Deputy Minister of Agriculture and Food advised the Chairman of the Committee that "I have written to the Chairman, Ontario Food Terminal Board, indicating that the Board put in place the recommendations of the Provincial Auditor as supported by your Committee."

With respect to the purchase of the vehicle, the Chairman had informed us that "In future, transactions such as this will be prohibited." In addition, during our audit for the year ended March 31, 1981, we were advised by the Chairman that "relatives of employees are presently not employed by the Board".

During our current audit we found that:

(a) **A firm of students was hired by the Board to do painting at the Terminal. Payments during the current year totalled approximately $1,600. A relative of a senior employee was a member of the firm.** We were informed by the Board that this student did not receive any of the money paid by the Board to the firm.

An automobile was purchased from a relative of the same employee for $100.

(b) **A relative of another employee was hired in July 1982 for the summer.**

Although the amounts paid were not significant, we felt that transactions of this nature should be prohibited.

The preceding comments were included in a report sent to the Board on September 30, 1982, the date of this Report. Since the Board has not had an opportunity to respond, we are unable to present its views on the matter raised.

3.8 Review of Computer Operations, Ontario Northland Transportation Commission

The Ontario Northland Transportation Commission, together with its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited, provide a variety of transportation and communications services in northern Ontario. The Commission's consolidated audited financial statements for the year ended December 31, 1981 are reproduced in Volume 2 of the 1981-82 Public Accounts.

During the year, a review of the Commission's electronic data processing (EDP) activities and associated controls included an assessment of:

—security, backup and disaster preparedness of the Corporate Division's computer facilities, and

—the internal controls incorporated into the electronic data processing of the major financial applications.

With regard to the preceding objectives, we concluded that:

- **Physical security of the computer operations area was weak.**
- **Provision for backup processing facilities was inadequate.**
- **Internal controls were sound and could be relied upon to accurately process the information provided.**

DETAILED FINDINGS AND RECOMMENDATIONS

Security

The **physical security of the computer operations area was weak**. Internal access was marginally satisfactory in that it was necessary to walk past the Supervisor's office and through the input/output area before arriving at the computer room area, but there was **no lock on the computer room door. On several occasions** such as lunch times and shortly after the end of the day, **the outer area was unmanned, the outer doors were unlocked and direct access to the computer area was easily attainable**. Quite apart from damage by vandalism, it would be an easy matter to remove disk packs from the library vault which was left open in the computer room.

External security was of much greater concern. The computer facility, housed in the basement with windows protected only by wire mesh, and adjacent to a main street and parking lot, **was readily accessible from the outside**. Vandals, disgruntled employees, etc., would have very little difficulty inflicting serious damage to the equipment. Any such damage coupled with the present lack of disaster preparedness (see next heading) could have serious repercussions on the business affairs of the Commission.

There was **no automatic fire suppression equipment** installed in the computer room, but a heat/smoke detector and hand held fire extinguishers were available and could be used during periods when the area was manned.

Emergency procedures had been developed and instructions were prominently posted in the operating area.

We recommended that:

—Internal computer room security be reevaluated and suitable precautions be instituted to prohibit unauthorized access to this area at all times.

—The strengthening of external security be considered as a priority matter and appropriate actions be taken to correct the present deficiencies.

The Commission replied as follows on July 8, 1982:

> *"Employees in Data Processing have again been reminded that no unauthorized persons are to be allowed into the area.*
>
> *"As a Result of the audit we have reinforced the heavy wire grating which is presently on the windows."*

Backup and Disaster Preparedness

Backup for existing applications was satisfactory and programs, files and documentation were stored off site. In the event of prolonged downtime of the computer equipment, all necessary materials were available to reconstruct and commence processing elsewhere. The absence of a written Disaster Recovery Plan was the main drawback.

A review of correspondence indicated that there had been numerous attempts made to resolve the problem of identifying compatible backup hardware but, to the date of our review, these have been unsuccessful. Since there is no known compatible hardware (IBM System 3, Model 10) in the immediate North Bay vicinity, the supplier in Toronto was specifically requested by letter on June 1, 1981 to confirm that their hardware was compatible and could be used by the Commission for backup processing should the need arise. The supplier's reply was rather vague and did not answer specific questions re costs, time availability, etc.

Until such time as compatible hardware has been identified and mutually satisfactory terms and conditions have been agreed to, it is virtually impossible to prepare a Disaster Preparedness Plan. The location and availability of alternate equipment form the cornerstone of this plan and other factors such as transportation of input, critical applications, personnel, documentation, stationery, programs, etc., cannot be addressed or planned for.

Compounding the problem at the Commission was the fact that the equipment and the application systems in use are rather "antiquated" in data processing terms, and thus it requires a great deal of preplanning to run these on the selected individual alternative equipment.

We understood that management were actively pursuing the requirement to upgrade the hardware facilities for the Corporate data processing; however, our recommendations would still be valid but would have to await the selection and installation of the new equipment.

We recommended that:

—Efforts continue to locate alternative compatible data processing hardware.

—Once this has been identified and mutually agreeable terms have been worked out, a Disaster Preparedness Plan be written, approved and distributed to all affected areas.

The Commission replied as follows:

> *"Both these matters are part of our evaluation plan in selection of new hardware and a 'Disaster Preparedness Plan' will be written in conjunction with the configuration of hardware obtained."*

3.9 Lack of Due Regard for Economy, Ontario Place Corporation

The Corporation's audited financial statements for the year ended March 31, 1982 are contained in Volume 2 of the 1981-82 Public Accounts. The Corporation's objects include the operation of Ontario Place as a provincial exhibit and recreational centre, and the development of projects and programs designed to provide the people of Ontario with a greater appreciation of the Province.

In June 1982, "Future Pod", a high technology permanent exhibit opened at Ontario Place. The purpose of this exhibit is to provide an entertaining and educational showcase demonstrating the role played by the provincial government and Ontario industry in developing and utilizing high technology to improve the life and leisure of the people of this Province.

On January 27, 1982 Cabinet approved the concept of this display, focusing on high technology. On March 17, 1982, the Province's Board of Industrial Leadership and Development (BILD) agreed to contribute $1,000,000 for "interior design and construction, promotion, and 1982 operating costs" of this display. Our review of expenditures for this exhibit found that **there was a lack of due regard for economy in the following instances:**

(a) **On February 12, 1982, the Ministry of Industry and Tourism confirmed by letter its intention to award a contract for project design and construction work at an estimated cost of $400,000 to a sister company of the Ministry's communications and promotions advertising agency of record. Competitive proposals were not sought from other possible suppliers.** On March 18, 1982, the Corporation signed a formal agreement with this company.

(b) A firm was hired to construct a wheelchair ramp leading to the exhibit at a total estimated cost of $35,000. **Again no competitive bids were sought from other possible suppliers.**

We noted that for both contracts, the Acting Deputy Minister's approval was obtained on March 4th and 19th respectively to waive competitive selection procedures pursuant to the provisions of section 50-4-8.2 of the Ontario Manual of Administration. This section, which relates to the acquisition of technical consulting services states that *prior* written approval of the Deputy Minister is required when non-competitive procedures are used in lieu of competitive procedures for reasons of urgency.

In our opinion, these contracts did not fall under the definition of technical consulting services, as approximately $355,000 of the estimated cost of $435,000 related to the actual construction of the exhibit. Accordingly, **they should have been treated as a purchase of goods and services** pursuant to section 35-4 of the Ontario Manual of Administration **which requires a minimum of three competitive proposals.**

The Chairman of the Corporation wrote to us on September 29, 1982 and advised that:

> *"Ontario Place Corporation did exercise, in our view, due regard for economy in the construction of the new exhibit, Future Pod.*

"While Cabinet approval of a high technology display at Ontario Place was approved in January 1982, BILD funding was not made available until March 17, 1982. This meant that there was less than two months to complete the major construction work required for the new display before the opening of Ontario Place on May 13, 1982. (While Future Pod did not open officially until June 23, 1982, it was imperative that all major construction be completed by May 13th to avoid any inconvenience or unsightliness for park visitors.)

"Recognizing potential time problems associated with the delayed funding approvals and after careful consideration of all the factors involved, the award of the contract for design and construction was based on:

—the proven experience of the recommended firm which had been responsible for the design and construction of the BILD Futuredome display at the Canadian National Exhibition in 1981.

—the increasingly critical deadline requirements.

"With the approval of the Acting Deputy Minister, to single source based on the above factors, the Corporation was able to enter into an agreement with the chosen company immediately following BILD approval, avoiding any additional loss of time.

"The urgent deadline was also a factor in awarding the wheelchair ramp contract. The fact that the supply, fabrication and erection of the wheelchair ramp could only be completed in this short time-frame by the company which had originally constructed the bridge adjoining the required ramp, was verified by the Corporation's consulting engineer.

"Noting that the professional services of architectural and interior planning and design represent the most important elements of this display, the Corporation supports the decision of the Acting Deputy Minister to the effect that these two contracts fell within the framework of Section 50-4, as technical consulting services, rather than Section 35-1, as purchase of miscellaneous goods and services.

"In accordance with this reasonable interpretation of the provisions of the Ontario Manual of Administration, in our view the Corporation acted responsibly in the awarding of these two contracts."

3.10 Control Weaknesses and Irregularities, Ontario Waste Management Corporation

This Corporation was established on July 3, 1981 under the Ontario Waste Management Corporation Act, 1981, to research, develop, establish, operate and maintain facilities for the transmission, reception, collection, examination, storage, treatment and disposal of wastes, including sewage. The combined audited financial statements as at March 31, 1982 of the Corporation and its now inactive predecessor, the Ontario Waste Management Corp., reflected total assets of $623,600 with offsetting liabilities of $412,000 and a surplus of $211,600. Revenue for the year (including a $2,032,300 grant from the Province) was $2,039,100, and expenditure totalled $1,827,500.

EMPLOYEE BENEFITS AND REMUNERATION

Loan to Employee

An interest free loan of $50,000 was granted to a newly hired employee in October 1981 repayable in yearly instalments of $5,000 over the next ten years. We understood that the loan was designed to assist the employee in relocating from Sarnia to Toronto. **As such benefits are not provided for the recruitment or relocation of government employees,** we recommended at the time of our interim audit that the Board of Directors specifically approve the transaction.

The Corporation indicated that a resolution dealing with this and other arrangements relative to the hiring would be approved by the Board of Directors. We noted that this was done at the March 31, 1982 Board of Directors meeting.

Remuneration of Chairman

Concurrently with his role as Chairman of the Board of Directors, the Chairman participated in a study for the Centre for Toxicology conducted jointly by the Universities of Guelph and Toronto. **A percentage of his salary for this work is reimbursed by the Corporation according to invoices submitted by the Centre of Toxicology.** In addition, under Order in Council 1144/81, the Chairman receives a per diem allowance of $225 for attendance at Board of Director meetings and one-eighth of this per diem for each hour that he is otherwise engaged upon business of the Corporation.

At our interim audit **we noted that based upon payments made, the cost of the Chairman's services would amount to approximately $100,000 on an annual basis.** At the year end we found that total per diem payments to the Chairman and salary reimbursements to the Centre for Toxicology on behalf of the Chairman totalled $99,533, and consisted of:

Per diem fees April 1981—March 1982	$46,350
Salary reimbursement to Centre for Toxicology, April 1981—March 1982	$53,183

We suggested that the Corporation review the salary reimbursement and per diem payments to ensure that the arrangements originally made were still appropriate in the circumstances.

The Corporation indicated that the Board of Directors would be asked to approve a resolution confirming the remuneration. We noted that the Board of Directors approved the appointment of the Chairman as President and his remuneration in this capacity at their meeting of February 24, 1982. However, this resolution was deleted at the Board meeting of March 31, 1982.

PAYMENTS TO ENGINEERING CONSULTANTS

Payments to engineering consultants, totalled $847,000 for the year. Our review indicated certain deficiencies in the control over such payments:

(a) Contracts

We noted that in many cases there were no contracts or agreements covering the services provided for specific studies and projects undertaken by engineering consultants. While a schedule of hourly billing rates has been provided by consultants, the absence of signed agreements tended to weaken the Corporation's control over final costs. We recommended that contracts be drawn up covering each consulting assignment which would clearly indicate the specific consulting services to be performed, anticipated time frame, personnel assigned and estimated costs.

(b) Consultants' Invoices

Deficiencies were noted in consultants' invoices as follows:

—**Many invoices did not provide any breakdown of costs between projects,** and consequently control over individual project costs was impossible.

—The Corporation utilized two engineering consulting firms, one of which charged expenses at cost and provided support documentation, while **the other charged expenses at cost plus 10 per cent but provided no support documentation.**

We recommended that:

(a) Consultants provide individual project costs on their invoices.

(b) Support documentation be provided where feasible for out of pocket expenses, and renegotiation be considered for the 10 per cent surcharge on expenses invoiced by one consultant.

APPOINTMENT OF AUDITORS

At a meeting of the Board of Directors on January 27, 1982 **the Board approved the appointment of a public accounting firm as the Corporation's auditors.** We reminded the Corporation that **the Ontario Waste Management Corporation Act, 1981, section 19, states that the accounts and financial transactions of the Corporation shall be audited by the Provincial Auditor.**

In essence, though, the firm was engaged to express an opinion, along with the Provincial Auditor, on the combined financial statements of both Ontario Waste Management Corporations, not those of the Corporation. We recommended that the Board of Directors revise the particular minute to engage the public accounting firm as co-auditor of the combined financial statements, not those of the Corporation.

However, **we questioned from an economy standpoint, the necessity of engaging a second auditor to express an opinion on the combined financial statements.** We previously communicated our concern in this area to the Minister of the Environment in a letter dated May 20, 1982.

On August 24, 1982 the Chairman responded to our observations and recommendations as follows:

Loan to Employee

> *"As indicated in the audit report, the Board of Directors approved a resolution authorizing this loan at a meeting on March 31, 1982. As you know, this loan was deemed necessary to attract a prospective employee from a region of relatively low housing costs to one of very high costs."*

Remuneration of Chairman

> *"At a number of meetings of the Board of Directors, most recently on August 17, 1982, resolutions were approved unanimously confirming and continuing the remuneration arrangements for the President from the date of his election in 1981 through the current fiscal year.*
>
> *"The President's level of remuneration was confirmed in February, 1982. The method of reimbursement to the University of Toronto has changed from time to time, and was most recently approved on August 17."*

Payments to Engineering Consultants

> *(a) "Contracts: As recommended, purchase orders are now issued to cover major work by engineering consultants, outlining the scope of the work to be performed, and including either the rates per hour and estimate times, or estimate total costs for such projects.*
>
> *(b) "Consultants' Invoices: As recommended, consultants have been instructed to provide OWMC with a breakdown of*

> *monthly invoices into the individual project components. In addition, both major engineering consultants have been required to provide a breakdown of their billings to date by individual projects. One consultant already has provided this information as requested, and the other is in the process of doing so.*
>
> *"It is agreed that improved support documentation must be provided by one engineering consultant: this firm has been made aware of this requirement, and will be monitored to ensure its compliance. The issue of renegotiating the 10% surcharge on expenses for this firm is presently under review."*

Appointment of Auditor

> *"We welcome your advice concerning the engagement of the firm . . . as co-auditor of the combined financial statements of the Corporation. It is intended that this firm should act as an auditing consultant and that its primary focus will be on management practices and procedures, and the implementation of commercially sound general and cost accounting procedures."*

3.11 Serious Deficiencies in Accounting and Internal Controls, Toronto Area Transit Operating Authority

The audited financial statements of the Authority for the year ended March 31, 1982 are reproduced in Volume 2 of the 1981-82 Public Accounts. The objects of the Authority, a corporation without share capital, include the design and operation of inter-regional transit systems for people whose travel takes them through more than one regional municipality.

The Authority's audit is performed under our direction by a public accounting firm. At the conclusion of the audit, a number of detailed observations and recommendations, including responses by management, were transmitted to the Authority. In addition, an overview was provided to outline the seriousness of the overall situation.

At the conclusion of the previous year's audit, it was agreed that the Authority needed to develop certain long-term plans, particularly in the areas of computerization and financial and management reporting. **It was apparent this year that these areas had not been formally addressed. In addition, several of the detailed recommendations, to which the Authority agreed, had not been totally implemented.**

As a result of the foregoing and the apparent shortage of competent accounting staff within the organization, internal control has deteriorated. Also, the quality and accuracy of the general accounting records and the quality and timeliness of management's reports did not

meet the standards expected in an organization of the size and complexity of the Authority. The areas of revenue collection, recording, and cash management required specific attention.

The Authority was still experiencing large volume growth and indications were this would continue. Under these operating conditions, the need for tightly controlled accounting and reporting systems cannot be over-emphasized. In the past, the Authority has been able to rely on the knowledge of its staff and on a series of informal controls to ensure that all transactions are properly recorded. This, however, is no longer possible. **If strong control systems are not introduced immediately, accounting problems such as those experienced this year can be expected to recur.**

One of the factors contributing to the preceding situation was the staffing and supervision within the Finance and Administration Division. This manifested itself in the Authority's failure to properly close its books of account for the year ended March 31, 1982. **The procedures to close the books of account were neither properly planned nor effectively communicated to the appropriate staff members.** This resulted in the audit staff having to make significant adjusting entries to the Authority's accounts.

The auditors understood that a major review of the organization and staffing within the Finance and Administration Division was being carried out. They felt that **this review was an appropriate first step in structuring the Division to meet the control and information needs of the Authority.** Additionally, **management responses to the detailed observations and recommendations indicated that some of the problems are now being addressed.** These actions could alleviate some of the situations noted in the preceding paragraphs.

3.12 Improvements in Delivery of Field Audit Services Recommended, Workmen's Compensation Board

The audited financial statements of the Workmen's Compensation Board for the year ended December 31, 1981 are contained in Volume 2 of the 1981-82 Public Accounts.

The audit of the Board is performed under our direction by a public accounting firm. A portion of their current audit pertained to an assessment of the Field Audit Section of the Revenue Area Services Branch as to whether there were key management processes in place to ensure economic, efficient and effective operation of the Section, given the resources at its disposal.

Overview

The primary role of the Field Audit Section is to administer the Workmen's Compensation Act by conducting audits on the payroll records of employers operating in Ontario, and confirming their industry classification. The objectives of field audit activities are to ascertain and report payroll information of new employers, to identify employer firms which are not reporting to the Board, and to check the accuracy of the information contained in the Employers' Statement of Payroll and the rate classification.

Excluding the area office staff, the Field Audit Section has a complement of 56 persons for 1982, with budgeted expenses of approximately $1.67 million, of which 85 per cent represents salaries and benefits. The Section's 1982 operational objectives call for the completion of 15,000 field audits.

Planning

The overall planning approach in the Field Audit Section was not based on a well-demonstrated need to perform employer audits. For example, **management did not maintain or evaluate sufficient information on past audit results,** such as the degree of employer compliance with the assessable earnings reporting requirements of the Workmen's Compensation Act.

It was recommended that the number, type and priority of employer audits to be performed be based on the incidence of errors, and should be developed through the use of appropriate statistical sampling techniques and by adherence to compensating checks which could be made elsewhere in the Board. Further, to provide a solid base of information for future planning decisions, the Field Audit Section should develop a system for the regular documentation, analysis and reporting of employer audit errors.

Field Work Standards

Based on a review of the completeness of field audit reports, it was concluded that **the field auditors were performing their role and responsibilities adequately. However, it was noted that formal time standards for measuring performance on the conduct of individual audits had not been developed.** Since such standards would be beneficial in determining how productive auditors are, it was recommended that the Field Audit Section develop time estimates for the performance of field audits tailored to its needs, regularly report and monitor the results, and use these results to achieve improvements.

Measurement Procedures

Objectives and their accomplishment where appropriate should be regularly measured in a cost-effective manner and reported to management. **However, with the field audit activity, the only measurement regularly used was the number of field audits completed, and the number of audits started but not yet completed. The results of most of the Section's other endeavours** such as staff development, reviewing operating procedures and maintaining Branch policy **were not specifically measured and reported to management, primarily because the objectives themselves were not clearly stated in measureable terms.**

It was therefore recommended that the Field Audit Section develop formal procedures for measuring and reporting the progress in achieving all of its objectives.

The foregoing comments were transmitted to the Board on September 24, 1982. Since the Board has not had sufficient time to respond prior to September 30, 1982, the date of this Report, we are unable to present its views on the matters raised.

3.13 Newly Established Crown Agencies

Five Crown Agencies were established during the 1982 fiscal year. Of these, the IDEA Corporation, the Ontario Waste Management Corporation, the Police Complaints Board and the Public Complaints Commissioner are agencies of the Crown which are audited by our Office, whereas The George R. Gardiner Museum of Ceramic Art is a Crown controlled corporation which will be audited by a public accounting firm.

IDEA Corporation

This Corporation was established effective October 30, 1981 pursuant to the IDEA Corporation Act, 1981. Its objects are to promote technological innovation in Ontario, to bring together the research capacities of the public sector with the commercial and industrial sector, and to enhance the growth and employment prospects of the Ontario economy.

Ontario Waste Management Corporation

This Corporation was established on July 3, 1981 under the Ontario Waste Management Corporation Act, 1981. The objects of the Corporation are to research, develop, establish, operate and maintain facilities for the transmission, reception, collection, examination, storage, treatment and disposal of wastes, including sewage.

Reference was made in section 3.2 of our 1981 Report to a predecessor company, the Ontario Waste Management Corp., which was established on January 2, 1981 under the Business Corporations Act. This company has been inactive since July 3, 1981, at which time all activities and projects of the company were assumed by the Ontario Waste Management Corporation.

Police Complaints Board

This Board was established on December 21, 1981 under the Metropolitan Police Force Complaints Project Act, 1981. The Board's primary duty is to conduct hearings dealing with complaints made by members of the public respecting the conduct of police officers on the Police Force of Metropolitan Toronto.

Public Complaints Commissioner

The Commissioner, who is the chairman of the Police Complaints Board, was also established pursuant to the Metropolitan Police Force Complaints Project Act, 1981.

The George R. Gardiner Museum of Ceramic Art

The Museum was established as a corporation without share capital on December 17, 1981 pursuant to the George R. Gardiner Museum of Ceramic Art Act, 1981. The primary objects of the Museum are, for charitable purposes, to collect, conserve, lend and exhibit to the public works of ceramic, decorative and fine art and materials associated with civilizations producing such art.

3.14 Inactive Crown Agencies

In addition to the Ontario Waste Management Corp. (preceding section), three other Crown Agencies were inactive as at March 31, 1982. Two of these agencies, the North Pickering Development Corporation and the Ontario Deposit Insurance Corporation, were commented upon in section 3.3 of our 1981 Report. The following comments are pertinent to the inactive agencies:

North Pickering Development Corporation

The Deputy Minister of Municipal Affairs and Housing wrote on July 12, 1982 to advise:

> *". . . on April 29, 1982 The Honourable Claude F. Bennett, Minister of Municipal Affairs and Housing, introduced in the Legislature Bill 94, The North Pickering Development Corporation Repeal Act.*
>
> *"As soon as this Bill receives Royal Assent, I will let you know."*

Ontario Deposit Insurance Corporation

On June 25, 1982, the Deputy Minister of Consumer and Commercial Relations advised:

> *"We are in the process of preparing amendments to the Loan and Trust Act. Repeal of the Ontario Deposit Insurance Corporation Act will be a part of those amendments. While we have no firm time frame for the introduction of the amendments, we hope to proceed with them fairly quickly."*

The Ontario Transportation Development Corporation

This Crown controlled corporation, which was established in 1973 pursuant to the Ontario Transportation Development Corporation Act, has been inactive since 1978. The objects of this Corporation are similar, although not identical, to those of an affiliated company, the Urban Transportation Development Corporation Ltd.

As to the current status of this inactive company, we were advised by the Deputy Minister of Transportation and Communications on June 30, 1982 that:

> *"The only reason that it has been preserved is the authority in section 17 of the O.T.D.C. Act which authorizes the Treasurer of Ontario, with the approval of the Lieutenant Governor in Council and upon such terms and conditions as the Lieutenant Governor in Council may prescribe, may make loans to the corporation and may acquire and hold debt obligations of the corporation as evidence thereof.*
>
> *"U.T.D.C., not being a special act company, does not enjoy this potential source of funds. Earlier in the history of U.T.D.C. the Treasurer did lend monies to O.T.D.C. which in turn loaned monies to U.T.D.C. Such a need may not recur but we have thought it wise to preserve this vehicle for funding as a safeguard should any need arise."*

3.15 Subsidiaries of Crown Agencies

As covered in section 3.4 of our 1981 Report, we sought a legal opinion from the Deputy Attorney General as to whether wholly-owned subsidiaries of Crown Agencies fell under the definition of Crown controlled corporations per section 1(e) of the Audit Act (see Exhibit 1). On July 21, 1981, we were advised as follows by the Deputy Attorney General:

> ". . . It is our view that there is some difficulty in characterizing the subsidiaries . . . you refer to as Crown controlled corporations. It is our view that ownership of the shares of the subsidiaries would be held to be vested in the parent corporations and not in Her Majesty in right of Ontario. This interpretation is not free from doubt. I would recommend that the matter be clarified by an amendment to the legislation."

As a result of the foregoing opinion, the following subsidiaries are not considered to be Crown controlled corporations and have not been included in Exhibit 7 of this Report:

Subsidiaries of Northern Ontario Development Corporation

—Minaki Lodge Resort Ltd.
—Minaki Development Company Limited
—Thunder Bay Ski Jumps Limited

Subsidiaries of Ontario Energy Corporation

—Ontario Energy in Transportation Ltd.
—Ontario Energy Resources Ltd.
—Ontario Alternate Energy Ltd.
—Ontario Powershare Ltd.

Subsidiaries of Urban Transportation Development Corporation Ltd.

—Metro Canada Limited
—Toronto Transit Consultants Ltd.
—UTDC Research and Development Ltd.
—UTDC Services Inc.
—UTDC (USA) Inc.

In our 1981 Report, we suggested that, if it were the desire of the Legislature that such subsidiaries be treated as Crown controlled corporations, an amendment to the Audit Act be recommended by the Standing Public Accounts Committee. It is expected that this subject will be covered during a fall meeting of the Committee dealing with the accountability of Crown corporations.

4

PUBLIC ACCOUNTS OF THE PROVINCE

4.1 Preparation of the Public Accounts

The Public Accounts, which are published in three volumes, are prepared by the Ministry of Treasury and Economics under the direction of the Treasurer of Ontario as stipulated in section 13 of the Ministry of Treasury and Economics Act. This section reads as follows:

> "The Public Accounts for each fiscal year shall be prepared under the direction of the Treasurer and shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year."

The audit of the Public Accounts consists of an examination of the financial statements of the Province appearing in Volume 1, on which the Provincial Auditor expresses an opinion, together with a review of the other statements and schedules contained in Volume 1.

Volume 2 contains reproductions of audited financial statements of agencies of the Crown and Crown controlled corporations:

(a) in which the Province has an investment, or

(b) which have borrowed from the Province, or

(c) which have borrowed from others with a guarantee by the Province.

Also included in Volume 2 are the audited financial statements of certain significant operational agencies which are funded in whole or in part by revenues generated from their operations.

Volume 3 contains details of expenditures for each ministry, such as salaries and wages, employee benefits, travelling expenses and other payments. This expenditure is shown under two main categories, Voted Appropriations and Statutory Appropriations. Such details are not reviewed by this Office prior to publication, but are subject to examination during our subsequent audits of the various ministries.

4.2 Financial Statements of the Province

The audited financial statements of the Province for the year ended March 31, 1982, upon which the Provincial Auditor has expressed an unqualified opinion, are reproduced as Exhibit 2 of this Report. The financial statements and notes disclose in summary form the financial activities of the Province for the fiscal year, and report on the significant aspects of financial position at the close of the fiscal year.

The transactions of the Province are presented through the Statement of Consolidated Revenue Fund in summary form according to the four distinct areas of government activity:

—"Budgetary Transactions" are the operational activities involving the raising of revenue from various sources on the one hand, and the expenditure for various government programs on the other.

—"Non-Budgetary Transactions" are the lending, investment and trust administration activities.

—"Debt Transactions" are the borrowing and repayment transactions.

—"Ontario Hydro Transactions" relate to amounts borrowed by the Province on behalf of Ontario Hydro.

Regarding Ontario Hydro Transactions, the Province issues debentures and advances the proceeds to Ontario Hydro in exchange for bonds with the same terms and conditions. In any year, the overall end result of these reciprocal transactions is that payments are equal to recoveries. Since these transactions (including the ensuing retirement and debt servicing costs) are the result of a financing alternative and are not part of the Province's own budget plan, they are classified separately.

The Statement of Assets and Liabilities reflects the financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. The liabilities are claims by others on the Consolidated Revenue Fund. As expenditures on fixed assets do not represent financial claims on other parties, they are treated as non-recoverable expenditures in the year of acquisition.

4.3 Summary of Significant Accounting Policies

On the basis of evidence examined, the Provincial Auditor arrives at an opinion as to the fairness and consistency of the Province's financial statements, and as to the degree of their compliance with established accounting principles. In most activities other than those of governments, these are known as "generally accepted accounting principles". Because generally accepted accounting principles have not yet been established for governments, it is usual to report on the degree of compliance with stated accounting policies.

Accordingly, an integral part of the Province's financial statements is the Summary of Significant Accounting Policies. This Summary appears on page 1-2 of Volume 1 of the 1981-82 Public Accounts, which forms part of Exhibit 2 of this Report.

Such Summary is included as an integral part of the financial statements in order to provide the reader with a clear understanding of the principles and methods used to present the financial information contained in the statements. Due to the nature of government accounting, especially when compared to practices followed in the private sector, the accounting policies stated in the Summary have particular importance to a reader who desires to have an adequate understanding of the Public Accounts.

4.4 Advances and Loans Repayable from Annual Expenditure Appropriations

Page 2-28 of Volume 1 of the 1981-82 Public Accounts summarizes the balances of advances or investments by the Province in corporations, boards and commissions other than Ontario Hydro. Additionally, page 2-31 summarizes the balances of other loans and investments by the Province, including loans to public hospitals.

The balances recorded in the Public Accounts do not necessarily represent the amounts the Province expects to truly realize. As stated in the Summary of Significant Accounting Policies, the funds required to repay certain of the advances and loans are being provided out of future years' Provincial expenditure appropriations. Examples of loans and advances in this category are as follows:

—Virtually all of the advances of $1,113,447,025 to The Ontario Universities Capital Aid Corporation are repayable out of future years' Provincial expenditure appropriations. Under a program discontinued in 1978, the Corporation used funds advanced by the Province to purchase debentures issued by colleges, universities and related institutions for capital construction purposes. The debenture debt of the issuing institutions is repaid, with interest, over the term thereof by utilizing moneys appropriated annually by the Legislature. The Corporation, in turn, utilizes the proceeds to repay, with interest, its advances from the Province.

—The situation with respect to the repayment of advances of $1,113,379,300 made by the Province to The Ontario Education Capital Aid Corporation is analogous to that outlined in the preceding example. Under a program discontinued in 1980, an average of 75% of the advances by the Province to this Corporation are repayable out of future years' expenditure appropriations.

—Loans of $180,685,432 to public hospitals as at March 31, 1982 are partially repayable out of future years' Provincial expenditure appropriations. Under a program discontinued in 1978 (and replaced by capital grants), public hospitals used loans advanced by the Province for capital construction purposes. Using, in part, moneys appropriated annually by the Legislature, the hospitals repay their loans, with interest, over the term thereof. For the 1982 fiscal year, $15,835,808 was so subsidized by way of grants from the Province to the hospitals.

—Advances to the three Development Corporations (Ontario, Northern and Eastern) include amounts regarding term loans made by the Corporations. Whereas performance loans are subject to forgiveness, term loans are repayable and interest-bearing. Each year, the Corporations write off certain term loans that are deemed to be uncollectible. When such loans are written off, moneys appropriated by the Legislature for that purpose are used by the Corporations to repay their corresponding advances from the Province. For the year ended March 31, 1982, $6,000,559 was so utilized.

—Advances to Ontario Development Corporation and Northern Ontario Development Corporation as at March 31, 1982 also included amounts with respect to forgivable performance loans made by these Corporations in the outstanding amounts of $1,277,648 and $236,407 respectively. The major portion of these advances is repayable out of future years' Provincial expenditure appropriations. When borrowers' loan principal is forgiven by these Corporations, moneys appropriated by the Legislature for the purpose of loan forgiveness are utilized by the Corporations to repay their corresponding advances from the Province.

4.5 Loans Receivable Not Included in Statement of Assets and Liabilities

As covered in the Summary of Significant Accounting Policies, the assets recorded in the financial statements are those resulting from financial claims on other parties which have been created by cash transactions. Accordingly, loans, advances and investments made by the Province are normally included as assets on the Statement of Assets and Liabilities. Accounts receivable, on the other hand, are not so included, since they are not the result of cash transactions. For the most part, they represent amounts owing to the Province under various revenue producing activities.

Certain loans, however, do not appear on the Statement of Assets and Liabilities. The Ministry of Treasury and Economics has determined that, where loans generally have one or more of the following characteristics, they are to be classified as expenditure:

- either no specific security or security of limited value;

- no specific repayment terms;
- where repayment is conditional only on future uncertain events.

These loans are considered to be in the nature of "recoverable grants", and, as stated, are treated as expenditure when made. When repayments are received, they are treated as revenue. Although such loans do not appear on the Province's Statement of Assets and Liabilities, they are included in the Statement of Accounts Receivable on page 3-21 of Volume 1 of the 1981-82 Public Accounts. In total, they are not material in relation to the Province's recorded assets of $13.1 billion as at March 31, 1982.

The major examples of loans included in this category, totalling approximately $67 million, relate to programs administered by the Ministry of Municipal Affairs and Housing, and are summarized as follows:

- Ontario Rental Construction Loan Program—These loans are for the purpose of encouraging the construction of rental housing units in selected Ontario communities where vacancy rates are low. They are interest free, for twenty-five year terms, and secured by second mortgages. Repayments commence in the sixteenth year. The balance of such loans outstanding at March 31, 1982 was $21.0 million.
- Downtown Revitalization Program—Loans under this program are provided to assist municipalities with populations under 125,000 in the revitalization of their core areas. Repayments of these loans are to be 110% of the amounts advanced. However, repayments are contingent upon additional municipal revenue being raised as a result of the revitalization projects, in the form of taxes and/or rents. Loans outstanding under this program amounted to $40.3 million at March 31, 1982.
- Mainstreet Revitalization Program—The object of this program is to encourage and support downtown improvement projects by small municipalities. Repayments are over a ten year term and are to be 110% of the amounts advanced. The balance of loans to municipalities under this program was $5.3 million as at March 31, 1982.

4.6 Advances to Ontario Energy Corporation

The Province's investment in Ontario Energy Corporation (OEC) as at March 31, 1982 was $340,600,000 (1981—$15,675,000). This amount consists of the following components:

—Equity investment $15,000,000. At present, the Province is the sole shareholder.

—A $600,000 loan bearing interest at the rate of 13.25% per annum and repayable in sixteen semi-annual instalments.

—A $325,000,000 non-interest bearing demand note.

As mentioned in section 4.9 of this Report, the $325,000,000 loan was used to partially finance the purchase of one-half of approximately 25 per cent of the common shares of Suncor Inc. by Ontario Energy Resources Limited (OERL), a wholly owned subsidiary of OEC. The balance of this purchase is financed by promissory notes of $325,000,000 from OERL to Sun Company, Inc. The notes bear interest at the rate of 14.357% per annum, are repayable in 20 semi-annual instalments and are guaranteed by OEC.

In this connection, the Treasurer of Ontario has issued a comfort letter to Sun Company, Inc. which states, in part, ". . . it is the intention of the Government of Ontario within the powers given to it by the Ontario Energy Corporation Act and other legislative authorities to provide sufficient funds to enable the Ontario Energy Corporation to discharge, when due, the liabilities and obligations contemplated by the Guarantee Agreement of even date herewith between the Ontario Energy Corporation and Sun Company, Inc."

The undertaking contained in this letter has not been included in the Province's contingent liabilities (note 8 to the financial statements), on the basis that it does not represent a guarantee, per se. This exclusion has been supported by a letter obtained from the Ministry of Treasury and Economics' Office of Legal Services. This letter states, in part:

> "The comfort letter, on its terms, is a mere expression of present intention. There is certainly jurisprudence to indicate that an expression of intention, particularly when made on behalf of a government, does not give rise to enforceable contractual rights.
>
> "The comfort letter was provided without any 'consideration'. . . . Generally, our contract law requires that if B wants to hold A to a promise, B must show that he provided some consideration to A for the promise of A. The Treasurer's comfort letter was provided without any consideration passing from Sun Company, Inc. to the Treasurer.
>
> ". . . the comfort letter of the Treasurer was provided only to Sun Company, Inc. If the comfort letter were intended to create legally enforceable rights, one could reasonably expect that those rights could be exercised by subsequent holders of the notes."

4.7 Payments Out of the Consolidated Revenue Fund

Payments out of the Consolidated Revenue Fund are classified as Expenditure (Budgetary Transactions), Disbursements and Charges (Non-Budgetary Transactions) and Retirements of Loans (Debt Transactions).

Budgetary Expenditure includes payments for goods and services, salaries, interest on public debt, subsidies and grants, and acquisition or construction of fixed assets. Disbursements are payments made in respect of investments, loans and advances, while Charges are payments made from pension funds, deposit, trust and reserve accounts. Retirements of Loans are payments in respect of the debt obligations of the Province.

Payments out of the Consolidated Revenue Fund are of two major types: those pursuant to Estimates, including Supplementary Estimates, approved by the Legislative Assembly, and those pursuant to the provisions of various statutes. The former are termed payments from Voted Appropriations while the latter are termed payments from Statutory Appropriations. Voted Appropriations, which are formalized annually by legislation cited as the Supply Act, may be augmented by Management Board Orders. The nature of Management Board Orders is more fully explained in section 4.11.

A third type of payment out of the Consolidated Revenue Fund is that pursuant to delegated authority in the form of Special Warrants. The nature of this authority is more fully explained in section 4.12.

A summary of the payments out of the Consolidated Revenue Fund by type and classification is as follows:

Payments re:	1982 $	1981 $
Voted Appropriations		
per Legislative Assembly		
Budgetary Expenditure	17,083,349,400	14,260,512,715
Disbursements	147,628,569	202,116,857
	17,230,977,969*	14,462,629,572
per Management Board Orders		
Budgetary Expenditure	467,748,040	467,877,527
Disbursements	2,696,940	—
	470,444,980	467,877,527
Total Voted Appropriations	17,701,422,949	14,930,507,099
Statutory Appropriations		
Budgetary Expenditure	2,099,528,140	2,107,429,640
Disbursements	392,864,459	61,161,416
Charges	194,442,544	173,434,226
Retirements of Loans	75,400,570	168,696,712
Total Statutory Appropriations	2,762,235,713	2,510,721,994
Special Warrant		
Budgetary Expenditure	160,875	—
Disbursements	—	—
Total Special Warrant	160,875	—
Total Payments	20,463,819,537	17,441,229,093

(*) As explained in section 4.12, there were three special warrants issued in the 1982 fiscal year. Normally, all payments made under the authority of special warrants are classified separately above; however, due to the circumstances surrounding the first two special warrants and to maintain comparability of the Voted Appropriations figures between fiscal years, payments of $4,719,081,600 authorized by the first two special warrants have been included in payments from Voted Appropriations.

Reference has been made in section 4.2 to Ontario Hydro transactions. Since these transactions are not part of the Province's own budget plan, and since these transactions flow through the Consolidated Revenue Fund without increasing or decreasing the overall balance in the Fund, they have not been included in the preceding summary.

4.8 Voted Appropriations—Comparison of Authorized and Actual Payments

This comparison for the fiscal year ended March 31, 1982 is as follows:

	Authorized $	Actual $	Actual Under (Over) Authorized $
Voted Appropriations			
per Legislative Assembly			
Budgetary			
Expenditure	17,398,226,795	17,083,349,400	314,877,395
Disbursements	161,447,800	147,628,569	13,819,231
	17,559,674,595	17,230,977,969	328,696,626
per Management Board Orders			
Budgetary			
Expenditure	505,721,348	467,748,040	37,973,308
Disbursements	2,700,000	2,696,940	3,060
	508,421,348	470,444,980	37,976,368
	18,068,095,943	17,701,422,949	366,672,994

It will be noted that the total actual payments of $17,701,422,949 exceeded the amount of $17,559,674,595 appropriated by the Legislative Assembly (totals include amounts authorized and spent under special warrants of $4,719,081,600). This excess was in the amount of $141,748,354.

4.9 Statutory Appropriations

During the 1982 fiscal year, Statutory Appropriation payments made under the authority of 25 Acts exceeded $2.7 billion. This expenditure constituted

13.5 per cent of the total payments out of the Consolidated Revenue Fund. The comparative percentage for the 1981 fiscal year was 14.4.

A summary, by authorizing legislation, of such payments exceeding $50 million for the year ended March 31, 1982 (with comparative figures for 1981) is as follows:

	1982 $	1981 $
Financial Administration Act	1,960,253,569	1,813,854,475
Ontario Energy Corporation Act	325,000,000	—
Teachers' Superannuation Act	152,404,149	137,126,689
Superannuation Adjustment Benefits Act	106,839,125	85,058,616
Public Service Superannuation Act	100,572,584	88,814,471
Ontario Pensioners Property Tax Assistance Act	—	273,001,265
	2,645,069,427	2,397,855,516

Public Debt interest expenditure of $1.832 billion and $1.595 billion for fiscal years 1982 and 1981 respectively is included in the amount shown under the Financial Administration Act.

The statutory payment of $325,000,000 under section 18 of the Ontario Energy Corporation Act represents a non-interest bearing demand loan to finance the purchase of one-half of approximately 25% of the common shares of Suncor Inc. by Ontario Energy Resources Limited, a wholly owned subsidiary of Ontario Energy Corporation.

Payments pursuant to the Ontario Pensioners Property Tax Assistance Act, which was passed in the 1981 fiscal year, were initially made from Statutory Appropriations, but are now paid out of Voted Appropriations.

Excluded from the preceding figures are statutory appropations relating to Ontario Hydro Transactions which can be summarized as follows:

	1982 $	1981 $
Financial Administration Act		
Ontario secruities issued on behalf of Ontario Hydro:		
—interest paid	421,495,903	354,866,350
—securities retired	110,832,000	91,740,000
Power Corporation Act		
Advances to Ontario Hydro	1,450,000,000	500,000,000
	1,982,327,903	946,606,350

For reference purposes, 1982 statutory payments activity is summarized in Exhibit 4 of this report.

4.10 Statement of Budgetary Expenditure

The Statement of Budgetary Expenditure is contained in Volume 1 of the 1981-82 Public Accounts and is reproduced in Exhibit 2 of this Report. A more detailed analysis of total budgetary expenditure can be obtained by the use of the standard accounts classifications. Under these classifications the budgetary expenditure for the 1981 and 1982 fiscal years as shown on pages 2-15 and 2-15, respectively, of Volume 1 of the Public Accounts may be summarized as follows:

	1982		1981	
	$	%	$	%
Transfer Payments	14,263,110,960	72.6	12,056,481,738	71.6
Salaries and wages	1,832,662,258	9.3	1,645,486,971	9.8
Other Transactions				
—Public debt expenditure (interest on debentures, etc.)	1,832,469,236	9.3	1,594,891,150	9.5
—Other	92,459,355	.5	56,460,448	.3
Services	733,652,442	3.7	638,239,902	3.8
Acquisition/Construction of Physical Assets	461,797,623	2.4	414,394,549	2.4
Supplies and Equipment	384,652,195	2.0	346,153,358	2.1
Employee Benefits	280,242,566	1.4	244,591,147	1.4
Transportation and Communication	166,885,033	.8	146,931,752	.9
	20,047,931,668		17,143,631,015	
Less: Recoveries from other Activities, Ministries, etc.	397,145,213	2.0	307,811,133	1.8
Total Budgetary Expenditure	19,650,786,455	100.0	16,835,819,882	100.0

Transfer payments represent expenditure made to individuals, organizations and other levels of government, for which the Province does not directly receive goods or services. Such expenditure is made in accordance with legislation or established ministry policy.

Recoveries from other Activities and Ministries relate mainly to costs incurred by certain ministries, on behalf of other ministries, which are subsequently recovered from the benefiting ministries. For Public Accounts presentation purposes, these recoveries are generally not netted against the particular expenditure category or sub-category (e.g. salaries and wages, services, etc.) but are deducted in total from aggregate expenditure.

The other standard accounts classifications are largely self-explanatory; however, a more detailed description of the type of expenditure included in each classification is contained on pages viii-ix of Volume 1 of the 1981-82 Public Accounts.

In the 1982 fiscal year over $11.4 billion or more than 80 per cent of the total transfer payments, was expended by four ministries. The comparable figures for the 1981 fiscal year were $9.7 billion and 81 per cent respectively. A summary of the payments by the four ministries, including identification of major categories, is as follows:

Category	1982 $	1981 $
Ministry of Health		
Operation of hospitals and related facilities	2,949,530,581	2,440,629,083
Payments re physicians' and practitioners' services under OHIP	1,543,010,863	1,334,297,652
Other transfer payments	928,620,145	759,432,268
	5,421,161,589	4,534,359,003
Ministry of Education		
Grants for Elementary and Secondary Education (to school boards)	2,565,144,730	2,187,883,226
Payment to Teachers' Superannuation Commission	369,738,264	315,237,975
Other transfer payments	14,822,874	13,612,051
	2,949,705,868	2,516,733,252
Ministry of Colleges and Universities		
Grants for Universities and related organizations	1,031,255,622	940,476,864
Grants for Colleges of Applied Arts and Technology, etc.	516,748,902	470,630,968
Other transfer payments	117,815,293	111,371,719
	1,665,819,817	1,522,479,551
Ministry of Community and Social Services		
Provincial and Municipal Allowances and Benefits	782,660,942	684,922,843
Adult Social Services	212,839,291	177,242,799
Children's Services	279,825,423	243,037,973
Development Services—Adults and Children	115,749,625	79,339,525
Other transfer payments	39,044,457	40,232,832
	1,430,119,738	1,224,775,972
Total	11,466,807,012	9,798,347,778

4.11 Management Board Orders

Section 5 of the Management Board of Cabinet Act provides that, where an appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements of the public service necessitate further payments, the Board may make an order authorizing payments to be made against such amounts as it considers proper.

A summary of the Management Board Orders issued for the past five fiscal years is as follows:

	Number of Board Orders	Number of Items	Authorized Amount $
1982	108	394	508,421,348
1981	80	441	513,838,600
1980	67	313	161,890,065
1979	50	196	64,771,438
1978	85	221	173,871,550

By way of additional information, the Management Board Orders with respect to the 1982 fiscal year are summarized as follows by month of issue:

Month of Issue	Number	Authorized $	%
June 1981	2	4,900,000	.96
August 1981	1	6,000,000	1.18
September 1981	2	12,687,800	2.50
October 1981	2	6,000,000	1.18
November 1981	1	100,000	.02
December 1981	6	18,955,200	3.73
January 1982	5	21,951,900	4.32
February 1982	19	147,752,700	29.06
March 1982	41	150,681,200	29.64
April 1982	27	137,736,548	27.09
June 1982	1	91,000	.01
July 1982	1	1,565,000	.31
	108	508,421,348	100.00

Pursuant to section 11 of the Farm Income Stabilization Act, a loan of $1,565,000 was made during the year to the Farm Income Stabilization Commission of Ontario. Provision for the necessary funds in the relevant appropriation (Ministry of Agriculture and Food Vote 1902-4, Agricultural Production Program, Farm Income Stabilization Activity) required authorization by Management Board Order. However, this requirement was initially overlooked, since the Ministry of Agriculture and Food understood that the loan represented a statutory payment. Subsequently, an appropriate request was made, resulting in the issue of a Management Board Order dated July 6, 1982.

A detailed listing of Management Board Orders, showing the amounts authorized and expended thereunder, is included as Exhibit 3 of this Report.

In accordance with Standing Order number 51 of the Legislative Assembly, the preceding Management Board Orders have been printed in The Ontario Gazette, with an explanation of significant variances from the printed Estimates.

4.12 Special Warrants

Section 4 of the Management Board of Cabinet Act provides for the issue of a special warrant, when the Legislature is not in session, authorizing payment of an amount required to meet an expenditure not forseen or provided for by the Legislature and which is urgently required for the public good.

Three special warrants were issued during the year ended March 31, 1982. The first two special warrants, dated April 1, 1981, were approved by Order in Council dated March 10, 1981. Payments of $4,719,081,600 were authorized for the purpose of providing for general and necessary government expenditure (as well as the general and necessary expenditure of the Offices of the Ombudsman and Provincial Auditor) on and after April 1, 1981.

As background, these two special warrants were necessitated by the fact that, following the general election in March 1981, the Thirty-Second Parliament did not convene to meet until April 21, 1981. Normally, payments may be made from appropriations prior to passage of the Supply Act provided a motion of interim supply is adopted by the Legislature. However, since the Legislature did not convene prior to the beginning of the fiscal year on April 1, 1981, a motion of interim supply was not possible. Therefore, special warrants were required in order to authorize all non-statutory expenditure on and after April 1, 1981.

The amounts of these special warrants were based on the anticipated cash requirements for the first three months of the 1982 fiscal year, and on the premise that expenditure would continue up to the authorized limit thereof, and then under the authority of a motion of interim supply, which was carried by the Legislature on June 19, 1981. On this basis, the full authorized amount of $4,719,081,600 was expended.

The Supply Act, 1981 received Royal Assent on December 18, 1981. It should be noted that the total estimates and supplementary estimates approved by the Act were exclusive of the amount authorized by the preceding two special warrants.

The third special warrant was approved by Order in Council dated January 28, 1982, and authorized the sum of $5,000,000 to provide funding in the 1982 fiscal year for the start-up of the Ontario Farm Adjustment Assistance Program. An amount of $160,875 was expended thereunder.

4.13 Board of Internal Economy

Section 88 of the Legislative Assembly Act reads:

> "The Board of Internal Economy may authorize the transfer of moneys from one item of the estimates of the Office of the Assembly to another item within the same Vote and the Provincial Auditor shall make special mention in his report of any transfer under this section."

In respect of the 1981-82 expenditure estimates, the following transfers, totalling $1,065,285 were made within Vote 1001:

		$
From Item 5	Sessional Requirements	382,400
Item 10	Constituency Offices	579,499
Item 11	Commission on Election Contributions and Expenses	89,700
Item 12	Legislative Library	13,686
To Item 1	Office of the Speaker	63,400
Item 2	Office of the Clerk	66,000
Item 3	Chief Election Officer	43,000
Item 4	Hansard	56,600
Item 6	Members' Indemnities	111,800
Item 7	Members' Support Services	83,180
Item 9	Administration	166,900
	Statutory Contribution to Legislative Assembly Retirement Allowances Account, the Legislative Assembly Retirement Allowances Act	474,405

4.14 Write-Off of Uncollectible Accounts

Section 5 of the Financial Administration Act reads as follows:

> "5.—(1) Where a person has an obligation or debt due to the Crown or the Crown has a claim against a person, the Treasurer may, subject to any other Act affecting such obligation, debt or claim, negotiate and accept a settlement in payment and satisfaction of such obligation, debt or claim, or may determine that any such obligation, debt or claim is uncollectable.
>
> "(2) The Lieutenant Governor in Council, on the recommendation of the Treasurer, may, if he considers it in the public interest, delete from the accounts any loss incurred in any settlement or determination made under subsection (1).
>
> "(3) The losses deleted from the accounts during any fiscal year shall be reported in the Public Accounts for that year."

A summary of the losses deleted from the accounts for the past five fiscal years is as follows:

	$
1982	12,607,776
1981	10,295,160
1980	15,342,289
1979	17,454,136
1978	23,502,201

The majority of the preceding write-offs do not affect the Net Debt of the Province, since they relate to memorandum accounts which are set out on pages 3-21 to 3-25 of Volume 1 of the Public Accounts.

During the 1982 fiscal year five Orders in Council were passed authorizing the deletion of losses from the accounts. Deleted losses totalled $12,607,776 and are summarized by ministry on page 3-19 of Volume 1 of the Public Accounts. The following additional comment is provided for some of the larger write-offs.

The Ministry of Revenue wrote off $4,550,127 with respect to various unpaid taxes and GAINS overpayments. The major write-offs were as follows:

	$
Corporations Tax Act	2,642,015
Retail Sales Tax Act	1,199,255
Ontario Guaranteed Annual Income Act (GAINS)	370,782

Uncollectible accounts of the Motor Vehicle Accident Claims Fund amounting to $2,925,953 were written off by the Ministry of Consumer and Commercial Relations. Approximately $2.1 million of the total write-off pertained to claims/judgements at least ten years old, on which no payments had been made for at least five years.

The Ministry of the Attorney General wrote off $2,399,935 for uncollectible fines, costs and fees owed to Provincial Courts.

Uncollectible overpayments of $1,957,132 made under the Family Benefits Act, the Blind Persons Allowances Act and the Disabled Persons Allowance Act were written off by the Ministry of Community and Social Services.

5

OFFICE OF THE PROVINCIAL AUDITOR

5.1 Office Goals

PRIMARY GOAL

What is the job of the Legislative Auditor? This question was considered by the Canadian Comprehensive Auditing Foundation in a recent research study. In the Foundation's view, to which we subscribe, the primary goal of the Legislative Auditor can be described as follows:

> —To help the Legislature hold the government accountable by reporting to the Legislature on the quality of the administration's stewardship of public funds.

The Provincial Auditor seeks to achieve this goal by reporting to the Legislature annually under the authority of section 12 of the Audit Act. Essentially this annual report consists of:

- expression of an opinion on the Province's financial statements as to their fairness, consistency and compliance with stated accounting policies, and
- disclosure of significant matters noted in the course of audit, for example, where:
  - —accounts were not properly kept or essential records not maintained;
  - —rules and procedures were not adequate for the safeguard of public property, the collection of revenue and the authorization of expenditure;
  - —money was expended without due regard to economy and efficiency;
  - —appropriate procedures were not established to measure and report on the effectiveness of programs.

Wherever possible audit observations are accompanied by recommendations for improvement.

SECONDARY GOAL

While the Provincial Auditor's primary reporting responsibility to the Legislature is unequivocal, the Provincial Auditor has a secondary reporting responsibility to those charged with the administration of the various agencies and ministries which he audits. For agencies this responibility is generally stipulated in the enabling legislation. For ministries this responsibility has not been legislated. Rather it has been recognized by the Provincial Auditor as a further responsibility, which is appropriate in the circumstances and in the interest of improved government administration.

Accordingly the secondary goal of the Provincial Auditor can be expressed as follows:

> —To help Deputy Minister/Agency Heads hold their administrations accountable by reporting to them on the quality of the ministries'/agencies' stewardship of public funds.

The Provincial Auditor reports to a Deputy Minister or to an Agency Head at the conclusion of each audit. These reports consist of the disclosure of significant matters noted in the course of audit together with recommendations for improvement.

The reporting process is more fully described in section 5.8.

5.2 Audit Responsibilities

PRIMARY RESPONSIBILITIES

The primary audit responsibilities of the Provincial Auditor are twofold and involve the examination of:

(a) The accounts of the Province in accordance with his appointment as auditor under the Audit Act.

(b) The accounts of agencies of the Crown in accordance with his appointment as auditor under various related statutes or other appropriate authorities.

Accounts of the Province

The examination of the accounts of the Province is made in conformity with section 9(1) of the Act which reads as follows:

> "The Auditor shall audit, on behalf of the Assembly and in such manner as the Auditor considers necessary, the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise."

In this connection, all ministries are subject to audit in accordance therewith. These audits, when combined with the audit activities of the Office's Reporting and Standards Branch, enable the Provincial Auditor to express an opinion on the financial statements of the Province. A listing of the ministry audits covered by this report appears in Exhibit 6.

Accounts of Agencies of the Crown

An agency of the Crown is defined in section 1(a) of the Audit Act (see Exhibit 1). For the year ended March 31, 1982 the Provincial Auditor had direct audit responsibility for fifty-nine agencies of the Crown pursuant to his appointment as auditor by shareholders, governing bodies or under various statutes. These agencies are listed as parts (i) and (ii) of Exhibit 7 of this Report.

Section 9(2) of the Act provides that in instances where an agency of the Crown is audited by an auditor other than the Provincial Auditor, the audit is to be performed under the direction of the Provincial Auditor, and such other auditor is required to report to the Provincial Auditor. For the year ended March 31, 1982 seven agencies were in this category, and are shown under parts (iii) and (iv) of Exhibit 7.

ADDITIONAL RESPONSIBILITIES

Under section 16 of the Act, the Provincial Auditor is required to examine into and report on any matter referred to him in respect of the Public Accounts by a resolution of the Standing Public Accounts Committee.

Section 17 of the Act requires the Provincial Auditor to undertake such special assignments as may be required by either the Assembly, the Standing Public Accounts Committee (by resolution of the Committee), or by a Minister, provided that such special assignments do not take precedence over the Auditor's other duties. Further, if such an assignment is referred to the Provincial Auditor by a Minister, it can be declined if, in the opinion of the Auditor, it conflicts with his other duties.

5.3 Audit Activities

ATTEST AND COMPLIANCE

In order to express a professional opinion on the financial statements of the Province and numerous agencies of the Crown, audits are conducted in accordance with generally accepted auditing standards, as promulgated by the Canadian Institute of Chartered Accountants.

All ministry and agency audits include a general review of the accounting procedures and systems of internal control, together with such tests of accounting records and supporting evidence as are considered necessary in the circumstances. Additionally, compliance with existing statutes and regulations is reviewed.

In connection with ministries/agencies whose accounting records are computerized, our audits include a review of at least one application of the computerized system. This review includes the preparation of flow charts dealing with both manual and automated procedures, a summary showing input-processing-output of computer processes, completion of an internal control questionnaire for

EDP processing, the identification of key control points, and related audit procedures to verify that the system is functioning properly and to identify any weaknesses.

Fraud and Error

When performing audits in accordance with generally accepted auditing standards, auditors seek reasonable assurance through various means that material fraud and error have not occurred or that, if they have occurred, they are corrected and properly accounted for. However, it must be realized that such audits may not detect, and are not primarily designed to detect, every instance of fraud or error.

The resources required to examine the circumstances behind and the support for every transaction recorded would be prohibitive. Even if the resources were available, assurance that there were no unrecorded transactions would still be lacking. Furthermore, collusion between ministry/agency personnel and outside parties, or among management or employees could result in apparently genuine but falsified transactions and documents being accepted by the auditor.

VALUE FOR MONEY

In addition to the preceding activities of an attest/compliance nature, section 12(2)(f) of the Audit Act requires the Provincial Auditor to report on any cases where he has observed that money was expended without due regard to economy and efficiency, or where appropriate procedures were not taken to measure the effectiveness of programs. This is commonly known as the value for money audit mandate.

More concisely, the Provincial Auditor is required to report to the Legislature significant instances where he has observed that management is not fulfilling its responsibilities. It should be noted that it is not part of our mandate to evaluate the effectiveness of programs, or to develop standards dealing with the efficiency of program delivery. These are ministry/agency management functions. Our duty is to assess the extent to which these functions have been carried out by management.

While it is the Office's ultimate objective to integrate value for money auditing with ongoing attest/compliance audit activities, most of our value for money auditing to date has been conducted by a special group of teams within the Office. These teams undertake reviews on a program, activity or system basis. These reviews are designed to assess management controls for attention to economy, efficiency and procedures to measure effectiveness.

Perceived Mystique

In our view, the term value for money auditing has conjured up a mystique and a generally held belief of the need for highly specialized expertise. The Office does not subscribe to this belief.

The Office believes that what the Legislature is looking for is a common sense appraisal by an independent and competent professional auditor, one who recognizes good management and understands good management practices. This position, however, does not rule out the occasional use of experts, if the need is clearly evident.

5.4 Comprehensive Auditing

WHAT IS COMPREHENSIVE AUDITING?

Comprehensive auditing is a frequently used term but, in our opinion, its meaning is not generally well understood. For example, some consider comprehensive auditing synonymous with value for money auditing. Others feel that comprehensive auditing represents the combination of the relatively new value for money concept with the traditional attest and compliance audit concerns. In fact, comprehensive audit encompasses considerably more.

Comprehensive auditing has been described by the Canadian Comprehensive Auditing Foundation as follows:

> ". . . a new type of auditing designed to review and report on the management of financial, human and physical resources, so as to provide the greatest possible degree of accountability in the expenditure of public funds. It includes assessing the adequacy of management systems and controls to ensure due regard to economy, efficiency and effectiveness . . .
>
> ". . . is systems-based, involves a broader scope, an integration of various professional skills, a restructured audit process and an improved means of communicating results. It calls for a combination of audit concepts and methods and integrates a variety of disciplines ranging well beyond the traditional financial/accounting orientation."

BROADER SCOPE AND ADDITIONAL SKILLS

The broader scope of comprehensive auditing and the need for an integration of various professional skills is evident from the components of comprehensive auditing as described by the Foundation. By way of example, the financial controls component specifies that this new approach to auditing requires that evaluation go beyond the traditional evaluation of internal control. It calls for a review of the qualifications and the suitability of financial personnel to the needs of the organization. Similarly, the reporting component calls for an evaluation of the nature, content, adequacy, realiability and timeliness of non-financial as well as financial information.

Where it has been practiced to date, comprehensive auditing has been characterized by largescale applications and heavy involvement of management consultants and other specialists. Frequently projects take more than a year to complete with input by other than audit disciplines representing a high proportion of the total audit time.

OFFICE HAS NOT ADOPTED COMPREHENSIVE AUDITING

The Office has opted to direct its attention to the key component of comprehensive auditing—value for money auditing. As indicated in section 5.3 we are currently undertaking reviews of management controls for attention to economy, efficiency and procedures to measure effectiveness. These reviews are considered supplemental to our conventional financial and compliance audit activity.

The Office has not closed the door on comprehensive auditing and is receptive to further extension of audit scope. However, we feel that it is necessary to develop greater proficiency at our present level before considering other initiatives.

5.5 Systems to Ensure Economy, Efficiency and Effectiveness

Since it is desirable that senior management of ministries and agencies of the Crown have an understanding of the Office's objectives in conducting value for money reviews, it is appropriate to provide definitions and examples of systems designed to ensure due regard for economy, efficiency and effectiveness. Inherent in all such systems is the important element of sound management planning and control processes being in place and operating satisfactorily.

ECONOMY

A system designed to ensure economy is one which ensures that resources are acquired at the lowest cost compatible with obtaining necessary goods and services of suitable quality. This definition recognizes that although cost is the prime consideration when dealing with economy, quality and quantity are also important ingredients. Examples of systems designed to ensure (and/or improve) economy are:

- systems which ensure that invoices subject to cash discounts or to which interest may be added for late payment, are paid within the prescribed periods.
- purchasing and tendering systems which enable goods and services to be acquired at the best cost (i.e. lowest price compatible with quality and quantity).
- contract letting and administration systems which seek to avoid or mitigate cost overruns and late completions.

- asset acquisition review systems which seek to avoid inappropriate or unnecessary capital expenditures.

EFFICIENCY

Efficiency refers to the relationship between goods or services produced and the resources used to produce them. A system designed to ensure efficiency is one which ensures that the maximum output is produced for any given set of resource inputs, or that minimum resource inputs are used for any given quantity and quality of service provided. Examples of systems designed to ensure (and/or improve) efficiency are:

- manpower management and performance evaluation systems. These would include systems to detect situations where too many people are involved in a process, or senior staff are performing tasks more appropriate to junior staff.
- systems to measure the levels of utilization of capital assets.
- systems which compare, on a periodic basis, output achieved (i.e. units sold, licences issued, files processed, interviews conducted, invoices issued, patient days) with input used (i.e. people or premises used to provide the output, total cost of input resources).
- inventory level review systems which detect excessive or obsolete stocks.

EFFECTIVENESS

A system designed to measure and report on the effectiveness of programs is one which measures and reports on the extent to which a program achieves its predetermined goals or other intended effects. We recognize that the effectiveness of programs is not always easily evaluated, and that management procedures for measuring and reporting effectiveness will differ between programs.

In this regard, a program might be established with the objective of achieving a specified reduction in total energy consumption in public sector buildings over a specific period of time. A system designed to measure and report on the effectiveness of this program would include the following components:

- collecting energy consumption statistics;
- comparing these statistics to those of a base period;
- verifying of the accuracy and reliability of the statistics;
- reporting on the achievement of the objective, and taking any necessary corrective action.

5.6 Audit of Transfer Payments

DESCRIPTION OF TRANSFER PAYMENTS

As stated in chapter 4 of this Report, transfer payments represent expenditures made to individuals, organizations and other levels of government, for which the Province does not directly receive goods or services. In total, more than 70% of Provincial expenditure consists of transfer payments.

The majority of these payments are made for specific purposes, with an expectation that the recipient will fulfil specific conditions or perform certain actions with the money received. The funding of school boards and universities and Wintario grants are examples of this type.

Some of these payments, however, are unconditional, making no specific provision for the use of the money by the recipient. Examples of this type are unconditional per capita grants to municipalities and payments to individuals such as Guaranteed Annual Income Supplement (GAINS) and Property Tax grants.

AUDIT AT MINISTRY LEVEL

Transfer payments are subject to a certain degree of audit coverage in connection with our ongoing attest/compliance activities. Such coverage includes ensuring that selected payments are properly authorized and verifying the calculation thereof, as well as determining the adequacy of procedures being carried out by management to assess the efficiency and effectiveness of activities involving the administration of transfer payments. Similar procedures may also be carried out by the internal audit branches of the various ministries.

INSPECTION AUDITS

Section 13 of the Audit Act (see Exhibit 1) provides that, in the case of grant payments made by the Province or an agency of the Crown, the Provincial Auditor may perform inspection audits thereof, and also may obtain a full accounting of the disposition of such grants from the recipients. Inspection audits are defined as examinations of accounting records.

Purpose of Inspection Audit Provision

What was sought by this section of the Act was the right of the Provincial Auditor to access the records of recipients of grants which were made for specific purposes to determine that the funds were, in fact, spent for the purposes specified, or that the conditions under which the grants were paid were met. Certain ministry internal audit branches, pursuant to the terms of agreements with grant recipients, also have the right to perform inspection audits.

Approach to Inspection Audits

There are a myriad of recipients of transfer payments/grants. In Ontario, for example, there are more than 240 hospitals, 180 school boards and 40 universities and community colleges, not to mention the many organizations and individuals who are grant recipients under such programs or activities such as Wintario and cultural and arts support.

It is not feasible, nor was it intended, that the Provincial Auditor extensively audit grant recipients. To do so would require greatly expanded audit resources. The Provincial Auditor conducts inspection audits on an exception basis where, for example, information received or other audit evidence would indicate that such an audit is advisable. In addition, other inspection audits are undertaken on a selective basis. The selection process is strongly influenced by the extent of involvement and control exercised by the ministry or agency, such as the availability of audited financial statements or review by operating personnel or internal audit groups.

Inspection Audits and the Value for Money Issue

Since an inspection audit is defined as "an examination of accounting records" we have concluded that an inspection audit is designed to determine whether funds have been spent for the purpose for which they were provided.

An inspection audit, therefore, would not specifically examine management controls with respect to the economy, efficiency and effectiveness of the recipient's operations. However, observations relative to these value for money issues may well arise as a by-product of an inspection audit.

TRANSFER PAYMENTS AND THE VALUE FOR MONEY ISSUE

We believe it is the responsibility of the government to assure that funds provided in the form of transfer payments are well managed by the the recipients, that is, spent with due regard for economy, efficiency and effectiveness. Value for money auditing can certainly assist funding ministries/agencies in the fulfillment of this responsibility.

Ministry/Agency Initiative

The impetus for value for money auditing should come from the funding ministries/agencies. Major recipients of transfer payments include hospitals, universities and municipalities; these bodies are audited by public accountants appointed by the governing boards of the organizations. Accordingly, appropriate direction could flow from the ministry directly, or through the governing board of the organization, to the appointed auditor. The results of value for money reviews should, in our opinion, be reported to both the ministry and the governing board.

Since auditors are normally appointed by the governing board for purposes of financial audit, appointed auditors may find themselves in a conflict of interest situation as they strive to respond to the basic requirements of the board on the one hand and the direction of the ministry on the other. As a result, therefore, a ministry may wish to make other arrangements for the conduct of value for money auditing. It may wish, for example, to have its internal audit staff address the issue.

Provincial Auditor's Involvement

The Provincial Auditor would not have any direct involvement in the aforementioned value for money audit process. Indirectly he may become involved in the course of his continuing ministry audit responsibilities. This involvement may arise as a result of assessing the steps taken by a ministry to satisfy itself that funded organizations are being well managed. Where value for money auditing is a component of this process, the Provincial Auditor should have access to audit reports and be in a position to assess the scope and depth of the coverage provided.

INTER-MINISTRY TASK FORCE

At the request of Management Board, an inter-ministry Task Force was formed in early 1982 to address the question of the auditing of transfer payment recipients. The Task Force is addressing the following matters:

- Should ministries audit transfer payment recipients? If so, which ones and to what extent?
- The authority and scope for audits.
- The extent to which ministries should rely on external auditors, and accessibility to external audit reports.

5.7 Crown Controlled Corporations

AUDITED BY PUBLIC ACCOUNTING FIRMS

A Crown controlled corporation is defined in section 1(e) of the Audit Act (see Exhibit 1). Many of these corporations are audited by public accounting firms. Under section 9(3) of the Act the auditors are required, upon completion of the audit, to deliver to the Provincial Auditor a copy of the audited financial statements together with a copy of the report of their findings and recommendations to management (i.e. management letter). Additionally, the Provincial Auditor has access, if required, to the working papers and other documents related to the audit of such corporations.

A listing of Crown controlled corporations audited by public accounting firms, for the year ended March 31, 1982, is included as part of Exhibit 7 of this Report.

It is currently the policy of the Office to review working papers and other documents related to the audit of Crown controlled corporations on a cyclical basis at least once in a four year period. Additional reviews would, of course, be conducted should events or circumstances so warrant.

NOT AUDITED BY PUBLIC ACCOUNTING FIRMS

In addition to Crown controlled corporations audited by public accounting firms, there are certain other Crown controlled corporations whose enacting legislation does not contain any audit provision. In the case of these corporations, their revenue is not retained, but is deposited directly into the Consolidated Revenue Fund of the Province. Expenditures of these corporations are paid by ministries out of moneys appropriated therefor by the Legislature. As a result, these corporations have no assets or liabilities for accounting purposes. The operations and transactions of such corporations, are, however, subject to audit as part of our ministry audit process. Examples of these corporations are the Liquor Licence Board and the Niagara Escarpment Commission.

5.8 Provincial Auditor's Reporting Process

REPORTING PROCESS—MINISTRIES

A report on the audit outlining our findings and recommendations is issued to the Deputy Minister at the conclusion of each ministry audit. Authority for this course of action is contained in section 18 of the Audit Act. The more significant findings and recommendations in the ministry reports are included in the Provincial Auditor's annual report to the Legislature.

Before the report to the Deputy Minister is finalized the auditor-in-charge, Manager and Director will discuss the audit findings and recommendations with senior ministry officials. A typed draft of the report serves as the basis for this discussion. A copy of this draft marked "Draft For Discussion Purposes Only" is provided to the ministry officials in advance of the discussion.

It is entirely at the discretion of the ministry which officials should participate in the discussion. We recommend participation by the most senior personnel concerned, up through the Executive Director and Assistant Deputy Minister level. We do not recommend participation by the Deputy Minister. Since the report that is ultimately sent to the Deputy Minister is effectively an assessment of the administration responsible to him, in our view it is not appropriate to involve the Deputy in the finalization of that assessment. We would expect, however, that the senior officials would keep the Deputy Minister informed of any significant audit findings as they arise.

Also, the content of the draft report may be revised as a result of discussion with ministry officials and in the course of subsequent review by the Assistant Provincial Auditor or the Provincial Auditor. Consequently, participation by the Deputy Minister at the draft stage may well involve him/her in the unnecessary consideration of matters that will not form part of the final report.

Draft reports are considered to be an integral part of the working papers and, in accordance with section 19 of the Audit Act, shall not be laid before the Assembly or any committee of the Assembly.

When the report has been finalized and issued by the Provincial Auditor to the Deputy Minister, representatives of our Office will be pleased to meet with the Deputy Minister or senior ministry personnel to discuss any matters on which they wish clarification or further information.

REPORTING PROCESS—AGENCIES

The Provincial Auditor has a responsibility to report to the Board of Directors, or equivalent body, and to the designated Minister of each agency which has been the subject of the audit. In most instances this responsibility is stipulated in the agency's enabling legislation.

In our opinion this reporting responsibility is appropriate. For this reason, and in the interest of consistency, we have considered the responsibility applicable to those instances where the agency's legislation is not specific in this regard. Accordingly, a report on the audit outlining our findings and recommendations is issued to the Board of Directors, and to the Minister, at the conclusion of each agency audit. This course of action is consistent with section 18 of the Audit Act. The more significant findings and recommendations in the agency reports are included in the Provincial Auditor's annual report to the Legislature.

Before the report to the Board and to the Minister is finalized, the auditor-in-charge, Manager and Director will discuss the audit findings and recommendations with senior agency officials. A typed draft of the report serves as the basis for this discussion. A copy of this draft marked "Draft For Discussion Purposes Only" is provided to the agency officials in advance of the discussion.

It is entirely at the discretion of the agency which officials should participate in the discussion. We recommend participation by the most senior personnel concerned, up through the Chief Executive Officer level. We do not recommend participation by the Chairman or other members of the Board. Since the report that is ultimately sent to the Board of Directors is effectively an assessment of the administration responsible to them, in our view it is not appropriate to involve members of the Board in the finalization of that assessment. We would expect, however, that the Chief Executive Officer would keep the Chairman informed of any significant audit findings as they arise.

Also, the content of the draft report may be revised as a result of discussion with agency officials and in the course of subsequent review by the Assistant Provincial Auditor or the Provincial Auditor. Consequently, participation by the Board at the draft stage may well involve them in the unnecessary consideration of matters that will not form part of the final report.

When the report has been finalized and issued by the Provincial Auditor to the Board, representatives of our Office will be pleased to meet with the Board, or a committee thereof, to discuss any matters on which they wish clarification or further information.

Interim Procedures

Where interim audit work has been carried out prior to the fiscal year end of the agency and the findings are deemed to be significant, a letter outlining our findings and recommendations is issued by the Branch Director to the Chief Executive Officer.

This is done so that management can take immediate corrective action where necessary and to allow management sufficient time to review, discuss and prepare a response to the findings prior to the final audit.

Significant findings in the interim letter will be included in our final report together with the current status thereof, as per the agency's response and our follow-up work.

General

Draft reports and interim letters are considered to be an integral part of the working papers and, in accordance with section 19 of the Audit Act, shall not be laid before the Assembly or any committee of the Assembly.

REPORTING PROCESS—LEGISLATIVE ASSEMBLY

Matters raised in audit reports issued in respect of ministries and agencies which, in our judgment, are of interest or significance to the Legislative Assembly, are included in Chapters 2 and 3 of this Report. In all cases where replies have been received to our findings and recommendations, the relevant portions are included for information purposes, generally without further comment by this Office. As a result of printing deadlines, as covered in section 1.2, it is not possible to include any replies received subsequent to September 30 in this Report.

Our annual report is referred by the Legislature to the Standing Public Accounts Committee for their review and deliberations (see section 1.5). Once this has been done, replies to matters in our Report which are received subsequent to September 30 are forwarded to the Committee for their attention.

As noted in the previous section, public accounting firms audit a number of Crown controlled corporations. Matters raised by the auditors in their reports to management may also be included in the Provincial Auditor's Report to the Legislature.

PUBLIC DISCLOSURE

As soon as our annual report is laid before the Legislative Assembly, it is, of course, a public document.

Our individual reports issued at the conclusion of each ministry or agency audit are not laid before the Assembly and, therefore, do not become public documents in the normal course of events. However, the Standing Public Accounts

Committee, or any other committee of the Legislature, may, by resolution, request that our audit reports be made available if they are deemed essential or beneficial in the pursuit of the Committee's appointed duties. As soon as the report is laid before a committee it becomes a public document.

5.9 Office Organization and Personnel

ORGANIZATION

The Office of the Provincial Auditor is divided into six branches, each of which is administered by a Director. The six Directors, together with the Assistant Provincial Auditor and the Provincial Auditor, collectively comprise the Office's Management Committee. An organization chart of the Office is presented as Exhibit 5 of this Report.

Policy Field Branches (4)

The four Policy Field branches are responsible for the audits of all ministries and agencies of the Crown falling under each of the Provincial Government Policy Fields—General Government, Justice, Resources Development and Social Development. These branches also have responsibility for coordinating the Office's relationship with the external auditors of those Crown controlled corporations for which the Provincial Auditor is not the designated auditor.

Reporting and Standards Branch

The primary responsibilities of this branch are the audit of the Province's financial statements which appear in Volume 1 of the Public Accounts, the preparation of the Annual Report of the Provincial Auditor to the Legislature, the development and maintenance of the Office's Audit Manual, and the conduct of post-audit quality control reviews.

Specialized Audits and Resources Branch

This branch has basic responsibility for EDP audits, value for money reviews, and for recruitment, staff training and professional development.

PERSONNEL

The composition of the staff of the Audit Office at September 30, 1981 and 1982 was as follows:

	September 30,	
	1981	1982
Management committee	8	8
Audit managers	9	13
Audit supervisors	17	15
Auditors	11	16
Student auditors, audit technicians and assistants	33	38
Personnel and administrative	7	8
Total staff	85	98

As the preceding summary indicates, there was a net gain of 13 staff members during the year, bringing the Office close to its authorized complement of 103. The net increase of 13 was the result of 9 staff members leaving the Office together with the hiring of 22 new staff members.

Included in the category for student auditors, audit technicians and assistants are 33 employees who are enrolled in various stages of courses leading to professional qualifications through one of the following: The Institute of Chartered Accountants of Ontario (CA), The Society of Management Accountants of Ontario (RIA), or the Certified General Accountants Association of Ontario (CGA).

5.10 Staff Training and Professional Development

The establishment and maintenance of an ongoing program of both pre and post qualification professional training is considered essential to the long-term development of the Office and its staff. Although "on the job" training is a major part of this program, our professional staff and students attend in-house courses and seminars designed to enhance their auditing and management skills.

Some of the courses have been developed and are presented by our staff; others are purchased from other sources. During the past year, primary emphasis was on the electronic data processing (EDP) and value for money (VFM) audit areas, but courses in other areas were also made available. In addition to our in-house training and development, staff members also attend independently sponsored seminars.

5.11 Meeting of Legislative Auditors

The tenth annual meeting of the Canadian Conference of Legislative Auditors was held in Victoria, British Columbia from July 5 to 7, 1982. The meeting, which serves as a useful forum for the sharing of ideas and information important to the legislative auditing community, was attended by two members of this Office.

Matters discussed at the conference included Federal/Provincial cost sharing—grants and contributions, professional development, and an update of the Canadian Institute of Chartered Accountants' Public Sector Accounting and Auditing Committee.

At the same time, representatives of the Public Accounts Committees from the Provinces and Canada held their fourth annual meeting. Included in their agenda was a combined meeting with the legislative auditors on July 7, at which time a panel discussion dealing with "The Problems of Reporting to the Legislature" was held.

5.12 Examination of the Accounts of the Office of the Provincial Auditor

Section 28 of the Audit Act reads as follows:

> "A person or persons, not employed by the Crown or the Office of the Assembly, licensed under the Public Accountancy Act and appointed by the Board, shall examine the accounts relating to the disbursements of public money on behalf of the Office of the Auditor and shall report thereon to the Board and the chairman of the Board shall cause the report to be laid before the Assembly if it is in session or, if not, at the next ensuing session."

The Board referred to in the preceding quotation is the Board of Internal Economy. The Office's audited statement of expenditure for the year ended March 31, 1982, which will be tabled in the Assembly during the fall session, is included as Exhibit 8 of this Report.

ACKNOWLEDGEMENTS

It is my pleasure to acknowledge the continued cooperation and assistance extended to the members of this Office by management and staff of the ministries and agencies of the Crown during the conduct of our audits.

I also wish to thank my own staff for their strong performance and dedication throughout the year.

I appreciate the opportunity to serve the Legislature and the people of Ontario in the capacity of Provincial Auditor. My appointment was effective January 1, 1982 following the retirement of my predecessor, Mr. F. Norman Scott, F.C.A.

Mr. Scott had an outstanding career in the public service of Ontario which extended over forty years. Thirty of those years were spent with this Office in increasingly responsible positions, culminating with his appointment as Provincial Auditor in February, 1974. He served most capably in that position until his retirement in December, 1981.

D.F. Archer
D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, September 30, 1982.

EXHIBITS

1. Sections of the Audit Act Relevant to the Responsibilities of the Provincial Auditor.
2. Province of Ontario, Audited Financial Statements, Year Ended March 31, 1982.
3. Management Board Orders—Amounts Authorized and Expended Thereunder, Year Ended March 31, 1982.
4. Statutory Appropriations—Amounts Expended Thereunder, Year Ended March 31, 1982.

Office of the Provincial Auditor:

5. Organization Chart.
6. Ministry Audits and Special Reviews, Year Ended March 31, 1982.
7. Agency of the Crown and Crown Controlled Corporation Audits, Year Ended March 31, 1982.
8. Audited Statement of Expenditure, Year Ended March 31, 1982.
9. Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports.
10. Status of Recommendations Contained in Reports of the Standing Public Accounts Committee to the Legislative Assembly.

EXHIBIT 1

SECTIONS OF THE AUDIT ACT RELEVANT TO THE RESPONSIBILITIES OF THE PROVINCIAL AUDITOR

KEY DEFINITIONS

Agency of the Crown

1. (a) "agency of the Crown" means an association, authority, board, commission, corporation, council, foundation, institution, organization or other body,

  (i) whose accounts the Auditor is appointed to audit by its shareholders or by its board of management, board of directors or other governing body,

  (ii) whose accounts are audited by the Auditor under any other Act or whose accounts the Auditor is appointed by the Lieutenant Governor in Council to audit,

  (iii) whose accounts are audited by an auditor, other than the Auditor, appointed by the Lieutenant Governor in Council, or

  (iv) the audit of the accounts of which the Auditor is required to direct or review or in respect of which the auditor's report and the working papers used in the preparation of the auditor's statement are required to be made available to the Auditor under any other Act,

but does not include one that the Crown Agency Act states is not affected by that Act or that any other Act states is not a Crown Agency within the meaning or for the purposes of the Crown Agency Act.

Crown Controlled Corporation

1. (e) "Crown controlled corporation" means a corporation that is not an agency of the Crown and having 50 per cent or more of its issued and outstanding shares vested in Her Majesty in right of Ontario or having the appointment of a majority of its board of directors made or approved by the Lieutenant Governor in Council.

Inspection Audit

1. (g) "inspection audit" means an examination of accounting records.

EXAMINATION OF ACCOUNTS

Consolidated Revenue Fund

9.(1) The Auditor shall audit, on behalf of the Assembly and in such manner as the Auditor considers necessary, the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise.

Agencies of the Crown and Crown Controlled Corporations

9.(2) Where the accounts and financial transactions of an agency of the Crown are not audited by another auditor, the Auditor shall perform the audit, and, notwithstanding any provision of any other Act, where the accounts and financial transactions of an agency of the Crown are audited by another auditor, the audit shall be performed under the direction of the Auditor and such other auditor shall report to the Auditor.

9.(3) Where the accounts of a Crown controlled corporation are audited other than by the Auditor, the person or persons performing the audit,

(a) shall deliver to the Auditor forthwith after completion of the audit a copy of their report of their findings and their recommendations to the management and a copy of the audited financial statements of the corporation;

(b) shall make available forthwith to the Auditor, when so requested by the Auditor, all working papers, reports, schedules and other documents in respect of the audit or in respect of any other audit of the corporation specified in the request;

(c) shall provide forthwith to the Auditor, when so requested by the Auditor, a full explanation of work performed, tests and examinations made and the results obtained, and any other information within the knowledge of such person or persons in respect of the corporation.

9.(4) Where the Auditor is of the opinion that any information, explanation or document that is provided, made available or delivered to him by the auditor or auditors referred to in subsection (2) or (3) is insufficient, the Auditor may conduct or cause to be conducted such additional examination and investigation of the records and operations of the agency or corporation as the Auditor considers necessary.

SUBMISSION OF ANNUAL AND SPECIAL REPORTS

12.(1) The Auditor shall report annually to the Speaker of the Assembly after each fiscal year is closed and the Public Accounts are laid before the Assembly, but not later than the 31st day of December in each year unless the Public Accounts are not laid before the Assembly by that day, and may make a special report to the Speaker at any time on any matter that in the opinion of the Auditor should not be deferred until the annual report, and the Speaker shall lay each such report before the Assembly forthwith if it is in session or, if not, not later than the tenth day of the next session.

CONTENT OF ANNUAL REPORT

12.(2) In his annual report in respect of each fiscal year, the Auditor shall report on,

(a) the work of the Office of the Auditor, and on whether in carrying on the work of the Office the Auditor received all the information and explanations required;

(b) the examination of accounts of receipts and disbursements of public money;

(c) the examination of the statements of Assets and Liabilities, the Consolidated Revenue Fund and Revenue and Expenditure as reported in the Public Accounts, and shall express an opinion as to whether the statements present fairly the financial position of the Province, the results of its operations and the changes in its financial position in accordance with the accounting principles stated in the Public Accounts applied on a basis consistent with that of the preceding fiscal year together with any reservations the Auditor may have;

(d) all special warrants issued to authorize payments, stating the date of each special warrant, the amount authorized and the amount expended;

(e) all orders of the Management Board of Cabinet made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized and the amount expended;

(f) such matters as, in the opinion of the Auditor, should be brought to the attention of the Assembly including, without limiting the generality of the foregoing, any matters related to the audit of agencies of the Crown or Crown controlled corporations or any cases where the Auditor has observed that,

(i) accounts were not properly kept or public money was not fully accounted for,

(ii) essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to effectively check the assessment, collection and proper allocation of revenue or to ensure that expenditures were made only as authorized,

(iii) money was expended other than for the purposes for which it was appropriated,

(iv) money was expended without due regard to economy and efficiency, or

(v) where procedures could be used to measure and report on the effectiveness of programs, the procedures were not established or, in the opinion of the Auditor, the established procedures were not satisfactory.

INSPECTION AUDITS

13.(1) The Auditor may perform an inspection audit in respect of a payment in the form of a grant from the Consolidated Revenue Fund or an agency of the Crown and may require a recipient of such a payment to prepare and to submit to the Auditor a financial statement that sets out the details of the disposition of the payment by the recipient.

ASSISTANCE TO STANDING PUBLIC ACCOUNTS COMMITTEE

16. At the request of the Standing Public Accounts Committee of the Assembly, the Auditor and any member of the Office of the Auditor designated by the Auditor shall attend at the meetings of the committee in order,

(a) to assist the committee in planning the agenda for review by the committee of the Public Accounts and the annual report of the Auditor, and

(b) to assist the committee during its review of the Public Accounts and the annual report of the Auditor,

and the Auditor shall examine into and report on any matter referred to him in respect of the Public Accounts by a resolution of the committee.

SPECIAL ASSIGNMENTS

17. The Auditor shall perform such special assignments as may be required by the Assembly, the Standing Public Accounts Committee of the Assembly, by resolution of the committee, or by a minister of the Crown in right of Ontario but such special assignments shall not take precedence over the other duties of the Auditor under this Act and the Auditor may decline an assignment by a minister of the Crown that, in the opinion of the Auditor, might conflict with the other duties of the Auditor.

EXHIBIT 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting Basis

The following financial statements, prepared using the concept of a Consolidated Revenue Fund, have been designed primarily to provide an accounting of the financial resources appropriated by the Ontario Legislature. The fundamental requirement to report compliance with legislative authority results in a presentation of financial information in a manner significantly different from that used in the private sector. The accrual basis of accounting used in the private sector best reflects the costs incurred to earn revenues; the policies and practices followed by the Province under which the financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows best accommodates reporting to the Legislature.

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. Cash inflows, on the other hand, are closed at March 31 for cash received or in transit. With respect to provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed or have contributed to the Fund for the year.

Classification of Transactions

The transactions of the Province of Ontario are presented in summary form according to the four distinct areas of government activity through the Consolidated Revenue Fund.

> "Budgetary Transactions" are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under fiscal arrangements and shared-cost programs and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, and the acquisition or creation of fixed assets.
>
> "Non-Budgetary Transactions" are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts. "Disbursements" is the term used to describe the lending and investment transactions of the government. "Receipts" consist of the repayment of loans or recovery of investments. "Credits" is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed "Charges".
>
> "Debt Transactions" are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds.
>
> "Ontario Hydro Transactions" relate to amounts borrowed by the Province on behalf of Ontario Hydro. The Province issues securities and advances the proceeds to Ontario Hydro in exchange for bonds with the same terms and conditions. Since these transactions and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not a part of the Province's own budget plan, they are classified separately.

Assets and Liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The recorded assets are claims by the Consolidated Revenue Fund on other parties. As indicated in the Notes to the financial statements, under current government policy, the funds required to repay some of the advances and loans included in the recorded assets are effectively provided out of future provincial expenditure appropriations. The liabilities are claims by other parties on the Consolidated Revenue Fund. Since expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public, they are not reported as assets but are expensed as budgetary items in the year of acquisition.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument, and discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario of debt instruments issued by provincial agencies, boards and commissions and bank loans under certain government programs. Other significant commitments and liabilities are disclosed in the Notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which budgetary revenues exceed or are less than budgetary expenditures.

STATEMENT OF CONSOLIDATED REVENUE FUND

for the year ended March 31, 1982
($ millions)

	Budget 1982		Actual 1982		Actual 1981	
Opening Balance						
Cash and temporary investments .				1,734		1,569
Budgetary Transactions						
Revenue	17,458		17,884		15,549	
Expenditure	18,980		19,651		16,836	
Budgetary deficit		(1,522)		(1,767)		(1,287)
Non-Budgetary Transactions						
Loans, Advances and Investments						
Receipts	290		342		310	
Disbursements	226		544		264	
Net (Increase) Decrease in Loans, Advances and Investments	64		(202)		46	
Trust Administration Functions						
Credits	655		660		611	
Charges	194		194		173	
Net Increase in Trust Administration Functions	461		466		438	
Non-Budgetary Transactions (net)		525		264		484
Net Cash Requirements		(997)		(1,503)		(803)
Debt Transactions						
Proceeds of Loans	1,260		1,439		1,137	
Retirements of Loans	73		76		169	
Debt Transactions (net)		1,187		1,363		968
Ontario Hydro Transactions						
Proceeds of Debentures			1,450		500	
Retirements of Debentures			110		92	
			1,340		408	
Related Advances, Interest and Recoveries			(1,340)		(408)	
Ontario Hydro Transactions (net)						
Closing Balance						
Cash and temporary investments .				1,594		1,734

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF BUDGETARY REVENUE

for the year ended March 31, 1982
($ millions)

	Budget 1982	Actual 1982	Actual 1981
Taxation			
Personal Income Tax	4,380	4,928	3,578
Retail Sales Tax	2,831	2,853	2,562
Corporations Tax	1,962	1,769	1,792
Gasoline Tax	752	759	618
Tobacco Tax	343	345	284
Motor Vehicle Fuel Tax	153	172	133
Land Transfer Tax	110	129	101
Race Tracks Tax	60	59	55
Mining Profits Tax	140	56	161
Succession Duty	5	9	25
Public Utilities Income Tax	34	8	75
Federal Government Income Tax Revenue Guarantees			10
Other	3	1	3
	10,773	11,088	9,397
Other Revenue			
Premiums—Ontario Health Insurance Plan	1,194	1,179	1,061
Profits from Crown Corporations and Boards			
Liquor Control Board of Ontario	483	502	433
Ontario Lottery Corporation	122	137	116
Vehicle registration fees	340	296	312
Liquor Licence Board of Ontario—revenues	138	170	126
Other fees and licences	186	179	159
Fines and Penalties	77	76	73
Utility Service Charges	60	73	62
Royalties	78	67	74
Sales and Rentals	64	64	63
Other	105	122	108
	2,847	2,865	2,587
Government of Canada			
Established Programs Financing			
Cash Contribution	2,147	2,044	1,934
Extended Health Care Services	256	257	230
Canada Assistance Plan	582	630	548
Adult Occupational Training Agreement	115	124	114
Other	254	253	199
	3,354	3,308	3,025
Interest on Loans, Advances and Investments	484	623	540
Total Budgetary Revenue	17,458	17,884	15,549

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF BUDGETARY EXPENDITURE

for the year ended March 31, 1982
($ millions)

	Budget 1982	Actual 1982	Actual 1981
Social Development Policy Field			
Health	5,531	5,776	4,860
Education	2,973	3,045	2,604
Community and Social Services	1,653	1,770	1,527
Colleges and Universities	1,672	1,670	1,542
Culture and Recreation	203	227	203
Social Development Policy	4	4	3
	12,036	12,492	10,739
Resources Development Policy Field			
Transportation and Communications	1,254	1,323	1,212
Municipal Affairs and Housing	939	995	705
Natural Resources	322	363	349
Agriculture and Food	191	273	180
Environment	202	242	182
Industry and Tourism	87	89	81
Labour	56	59	51
Energy	44	41	26
Resources Development Policy	3	3	2
	3,098	3,388	2,788
Justice Policy Field			
Solicitor General	225	248	211
Attorney General	184	206	182
Correctional Services	163	174	156
Consumer and Commercial Relations	80	86	73
Justice Policy	1	1	1
	653	715	623
General Government			
Revenue	522	537	488
Government Services	294	310	285
Northern Affairs	156	169	156
Treasury and Economics	158	144	102
Office of The Assembly	28	35	35
Intergovernmental Affairs	4	5	4
Other	23	24	21
	1,185	1,224	1,091
Public Debt—interest	1,823	1,832	1,595
Contingency Fund (Note 10)	185		
Total Budgetary Expenditure	18,980	19,651	16,836

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF NON-BUDGETARY TRANSACTIONS

for the year ended March 31, 1982
($ millions)

	Budget 1982	Actual 1982	Actual 1981
Loans, Advances and Investments			
Receipts			
Corporations, boards and commissions			
The Ontario Education Capital Aid Corporation	82	82	78
The Ontario Universities Capital Aid Corporation	31	31	30
Development Corporations	22	31	20
Ontario Mortgage Corporation	18	19	17
Ontario Land Corporation	18	13	19
The Crop Insurance Commission of Ontario	1	5	11
Ontario Housing Corporation	1	4	12
Other	6	8	8
Water Treatment and waste control facilities	65	101	70
Loans to municipalities	27	30	26
Other loans and investments	19	18	19
	290	342	310
Disbursements			
Corporations, boards and commissions			
Ontario Energy Corporation		325	
Development Corporations	35	36	44
BILD	15	28	
Ontario Land Corporation	14	15	20
Ontario Housing Corporation	3	4	7
Urban Transportation Development Corporation Ltd.			31
Other	4	4	4
Water treatment and waste control facilities	126	100	124
Loans to municipalities	28	32	33
Other loans and investments	1		1
	226	544	264
Net (Increase) Decrease in Loans, Advances and Investments	64	(202)	46
Trust Administration Functions			
Credits			
Pension funds	411	418	363
Deposit, trust and reserve accounts	204	211	185
The Province of Ontario Savings Office Deposits—net increase	40	31	63
	655	660	611
Charges			
Pension funds	105	101	89
Deposit, trust and reserve accounts	89	93	84
	194	194	173
Net Increase in Trust Administration Functions	461	466	438
Total Non-Budgetary Transactions	525	264	484

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF DEBT TRANSACTIONS

for the year ended March 31, 1982
($ millions)

	Budget 1982	Actual 1982	Actual 1981
Proceeds of Loans			
Non-public			
Canada Pension Plan Investment Fund	600	769	538
Teachers' Superannuation Fund	655	670	569
Canada Mortgage and Housing Corporation—waste control loans	5		30
Total Proceeds of Loans	1,260	1,439	1,137
Retirements of Loans			
Non-public	12	14	26
Public			
For general purposes	61	62	143
Total Retirements of Loans	73	76	169
Debt Transactions (net)	1,187	1,363	968

STATEMENT OF ONTARIO HYDRO TRANSACTIONS

for the year ended March 31, 1982
($ millions)

	1982	1981
Proceeds of debentures (public)	950	
(non-public)	500	500
Retirements of debentures (public)	(110)	(92)
Net increase in debentures for Ontario Hydro purposes	1,340	408
Related advances, interest and recoveries		
Loans to Ontario Hydro	1,450	500
Interest on debentures	421	355
Recovery of interest and debenture retirements	(531)	(447)
Related advances, interest and recoveries (net)	1,340	408

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES

as at March 31, 1982
($ millions)

	1982	1981
Assets		
Cash and temporary investments (Note 1)	1,594	1,734
Advances to Ontario Hydro, secured by bonds (Note 2)	5,530	4,190
Advances and investments—other corporations, boards and commissions (Note 3)	4,349	4,131
Investments in water treatment and waste control facilities (at cost less recoveries) (Note 4)	1,115	1,116
Loans to municipalities	369	367
Other loans and investments (Note 5)	194	212
Total recorded assets	13,151	11,750
Net debt	13,755	11,988
	26,906	23,738
Liabilities		
Deposits with The Province of Ontario Savings Office	654	623
Pension funds (Note 6)	2,407	2,090
Deposit, trust and reserve accounts	723	605
Advances payable		15
Debentures and notes (Note 7)	23,122	20,405
	26,906	23,738
Contingent liabilities (Note 8)	8,966	8,257

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

Approved on behalf of the Ministry of Treasury and Economics:

T. CAMPBELL, Deputy Treasurer of Ontario and Deputy Minister of Economics.

G. McINTYRE, F.C.A., Assistant Deputy Minister, Office of the Treasury.

NOTES TO THE FINANCIAL STATEMENTS

(all figures in millions of dollars)

1. Cash and Temporary Investments

Temporary investments are recorded at cost and are predominantly short-term securities issued or guaranteed by Canadian chartered banks. Also included are debentures and bonds issued or guaranteed by the Province which, at March 31, 1982, had a cost value of $53 million (1981 $60 million) and a market value of $40 million (1981 $48 million).

2. Advances to Ontario Hydro

The Province, in addition to guaranteeing Ontario Hydro debt obligations, has issued $4,530 million (1981 $3,690 million) of U.S. dollar debentures on behalf of Ontario Hydro which have been recorded at par. At March 31, 1982 the Canadian dollar equivalent was $5,573 million (1981 $4,380 million). The Province has also borrowed $1,000 million (1981 $500 million) for Ontario Hydro from the Canada Pension Plan in Canadian funds. The proceeds of all such borrowings have been advanced to Ontario Hydro in exchange for bonds with the same terms and conditions as the securities of the Province.

3. Advances and Investments—Other Corporations, Boards and Commissions

	1982	1981
The Ontario Education Capital Aid Corporation	$1,114	$1,196
The Ontario Universities Capital Aid Corporation	1,113	1,144
Ontario Mortgage Corporation	549	568
Ontario Land Corporation	519	517
Ontario Energy Corporation	341	16
Development Corporations	272	240
Ontario Housing Corporation	190	190
Other	251	260
	$4,349	$4,131

The Ontario Education Capital Aid Corporation had received advances from the Province until March 31, 1980 to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. However, under current support arrangements for local school boards, an average of 75% of approved debt charges are subject to provincial grants. Effective April 1, 1980 the loan program was replaced by grants to school boards from the Ministry of Education. The Corporation will continue to administer the repayment of the outstanding loans.

The Ontario Universities Capital Aid Corporation had received advances from the Province until March 31, 1978 to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries, for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. Effective April 1, 1978 the loan program was replaced by grants from the Province to the institutions. Included in these grants was an amount of $112 million (1981 $114 million) from the Province to cover the amounts of principal and interest due to the Corporation from institutions other than municipalities on behalf of public libraries. The Corporation will continue to administer the repayment of the outstanding loans.

The Ontario Mortgage Corporation has used advances from the Province to provide primary and secondary mortgage financing for eligible persons. No new loans have been made since 1979.

The Ontario Land Corporation was established to assemble land for new communities and industrial parks. In 1978 the Corporation's objects were broadened to include land development. The Province charges no interest on advances being used to finance land holdings. At March 31, 1982 these advances were $402 million (1981 $399 million).

The Ontario Energy Corporation was established to invest and participate in energy related projects. The Province has made loans to and investments in the Corporation totalling $341 million, including in 1981 a $325 million non-interest bearing demand loan to finance the purchase of one-half of approximately 25% of the common shares of Suncor Inc. by Ontario Energy Resources Limited, a wholly owned subsidiary of the Ontario Energy Corporation.

The Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has purchased an equity of $7 million and has advanced all funding for the lending programs of the Corporations. Through its budgetary expenditures, the Province also transfers to the Corporations an amount to defray the costs of all administrative expenses, loans made at low interest rates, certain loan forgiveness, honouring guarantees, and writing off loans and losses. In 1982 these transfers amounted to $31 million (1981 $24 million).

The Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and the Canada Mortgage and Housing Corporation. Assisted housing and rent supplement operations are subsidized under a cost-sharing arrangement with the Canada Mortgage and Housing Corporation. The Province's share of the subsidy for the calendar year 1981 was $138 million (1980 $121 million).

4. Investments in Water Treatment and Waste Control Facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreement with the municipalities. Agreements covering $1,024 million of the investment are for provincially-owned projects which are subject to service rate billings. The proceeds from billings are used to amortize the investment over periods up to forty years, to pay for operating costs and to provide a return on the investment. Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in such funds (included in deposit, trust and reserve accounts) was $46 million at March 31, 1982 (1981 $44 million). Since 1978-79, the Province has changed its policy and is phasing out investments in favour of assisting municipalities by direct grants.

5. Other Loans and Investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to $181 million (1981 $198 million). During the current fiscal year, the Province made grants of $16 million (1981 $18 million) to assist public hospitals in meeting principal and interest payments. No new loans have been made since 1978 when the Ministry changed its public hospitals capital financial support program from loans to grants.

6. Pension Funds

	1982	1981
Public Service Superannuation Fund	$2,387	$2,072
Legislative Assembly Retirement Allowances Account	20	18
	$2,407	$2,090

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less pension payments for both the Public Service Superannuation Fund and Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these pension plans.

Based on the latest actuarial report as at December 31, 1979, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of $83 million, upon which an interest contribution of $7 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of $233.5 million which are required to be amortized by annual payments of $33 million until January 1, 1990 and $32 million on January 1, 1991 and 1992.

As at March 31, 1982, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1982 revealed a deficit of $702 thousand.

7. Debentures and Notes

	1982 Payable in				1981
Years of Maturity March 31	Canadian Dollars	United States Dollars	Deutsche Marks	Total	Total
1982	$	$	$	$	$ 109
1983	122	125	7	254	254
1984	106	82	7	195	195
1985	103		3	106	106
1986	212	99	3	314	316
1987	343		3	346	
1-5 years	886	306	23	1,215	980
6-10 years	2,635	444	3	3,082	2,522
11-15 years	5,040	29		5,069	4,478
16-20 years	8,044	512		8,556	7,906
21-25 years	1,775	1,286		3,061	2,491
26-30 years	58	1,971		2,029	1,912
31-35 years	73			73	69
36-40 years	37			37	47
	$18,548	$ 4,548	$ 26	$23,122	$20,405

The U.S. dollar debenture liability of $4,548 million (1981 $3,709 million) is recorded at par with the Canadian dollar and with the exception of $17.6 million (1981 $18.1 million), has been incurred on behalf of Ontario Hydro. At March 31, 1982 the Canadian dollar equivalent was $5,595 million (1981 $4,401 million). As explained in note 2, the Province holds an asset of U.S. dollar bonds of Ontario Hydro recorded at a par value of $4,530 million (1981 $3,690 million). These bonds have the same terms and conditions as the securities of the Province, with a Canadian dollar equivalent as at March 31, 1982 of $5,573 million (1981 $4,380).

The Province has borrowings of 89.2 million (1981 114 million) Deutsche Marks recorded at $26 million (1981 $33 million), the Canadian dollar equivalent at the time of issue. At March 31, 1982 the Canadian dollar equivalent was $45.4 million (1981 $65 million).

8. Contingent Liabilities

The Province is guarantor of certain obligations as follows:

	1982	1981
Debentures, bonds and notes		
Ontario Hydro	$8,453	$8,150
Other Provincial crown agencies	5	5
	8,458	8,155
Bank loans guaranteed		
Provincial crown agencies	2	3
Corporations and individuals through various government programs	128	99
	130	102
Other guarantees		
Corporations	378	
	$8,966	$8,257

9. Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education the Province makes annual contributions to the Teachers' Superannuation Fund (which is administered by the Teachers' Superannuation Commission) equal in amount to contributions by members. Further, the Province is committed to paying any deficiency in the Fund.

Based on the latest actuarial report as at December 31, 1978, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of $328 million upon which an interest contribution of $23 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of $768 million which are required to be amortized by annual payments of $97 million until December 31, 1989 and $94 million on December 31, 1990.

As at March 31, 1982 the Province had made all scheduled payments.

10. Budget Figures

The comparative budget figures in the financial statements are from the 1981 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on May 19, 1981.

The Contingency Fund budget figure in the Statement of Budgetary Expenditure is a provision for the cost of salary and employee benefit revisions likely to be approved in the fiscal year. These revisions, when paid however, are charged to each ministry's appropriations.

11. Comparative Figures

The 1981 comparative figures have been reclassified where necessary to conform with the 1982 financial statement presentation.

PROVINCIAL AUDITOR'S OPINION

I have examined the statement of assets and liabilities of the Province of Ontario as at March 31, 1982 and the statements of consolidated revenue fund, budgetary revenue, budgetary expenditure, non-budgetary transactions, debt transactions and Ontario Hydro transactions for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Province as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with the stated accounting policies set out in the Summary of Significant Accounting Policies on page 1-2 of Volume 1 of the Public Accounts, which have been applied on a basis consistent with that of the preceding year.

In accordance with section 12 of the Audit Act, a report will be made to the Speaker of the Legislative Assembly.

D. F. Archer

D. F. Archer, F.C.A.,
Provincial Auditor.

Toronto, September 7, 1982.

EXHIBIT 3

MANAGEMENT BOARD ORDERS

Amounts Authorized and Expended Thereunder
Year Ended March 31, 1982

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Agriculture and Food		
	Ministry Administration Program		
Mar. 3, 1982	Financial Services	187,500	182,931
Mar. 3, 1982	Supply and Office Services	132,000	132,000
Apr. 6, 1982	Supply and Office Services	35,000	29,377
Apr. 6, 1982	Personnel Services	47,000	46,761
Mar. 3, 1982	Information Services	268,000	268,000
Apr. 6, 1982	Information Services	140,000	137,581
Mar. 3, 1982	Analysis and Planning	149,000	147,038
Apr. 6, 1982	Legal Services	37,100	29,207
	Agricultural Production Program		
Mar. 3, 1982	Advisory Services	1,701,000	1,206,070
June 29, 1981	Farm Income Stabilization	1,900,000	1,843,115
July 6, 1982	Farm Income Stabilization	1,565,000	1,565,000
Dec. 22, 1981	Other Assistance to Primary Food Production	17,400,000	17,400,000
Jan. 19, 1982	Other Assistance to Primary Food Production	15,000,000	15,000,000
Apr. 6, 1982	Other Assistance to Primary Food Production	5,935,000	5,670,506
	Agricultural Marketing Program		
Apr. 6, 1982	Marketing	270,000	178,854
Mar. 3, 1982	Quality Control of Agricultural Products	1,391,000	1,391,000
Apr. 6, 1982	Quality Control of Agricultural Products	260,000	254,417
	Agricultural Education and Research Program		
Mar. 3, 1982	Administration	31,000	20,608
Mar. 3, 1982	Education	556,100	556,100
Apr. 6, 1982	Education	427,000	393,867
Mar. 3, 1982	Research	1,185,000	1,185,000
Apr. 6, 1982	Research	485,000	454,180
Apr. 6, 1982	Ontario Agricultural Museum	85,000	62,803
		49,186,700	48,154,415
	Ministry of the Attorney General		
	Law Officer of the Crown Program		
Feb. 17, 1982	Attorney General	54,000	54,000
Apr. 13, 1982	Attorney General	20,000	10,364
Feb. 17, 1982	Deputy Attorney General	54,000	54,000
Mar. 16, 1982	Deputy Attorney General	5,000	5,000
Apr. 13, 1982	Deputy Attorney General	3,000	2,041
Feb. 17, 1982	Policy Development	150,000	150,000
Mar. 16, 1982	Policy Development	44,000	38,529

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of the Attorney General (cont'd)		
Mar. 16, 1982	Law Research (Ontario Law Reform Commission)	42,000	—
Feb. 17, 1982	Royal Commissions	194,000	194,000
Mar. 16, 1982	Royal Commissions	325,000	269,038
	Administrative Services Program		
Feb. 17, 1982	Financial Services	210,000	199,948
Feb. 17, 1982	Personnel Services	67,000	67,000
Apr. 13, 1982	Personnel Services	15,000	14,869
Feb. 17, 1982	Analysis and Planning	6,000	6,000
Apr. 13, 1982	Analysis and Planning	13,000	11,014
Apr. 13, 1982	Systems Development Services	40,000	38,812
	Guardian and Trustee Services Program		
Feb. 17, 1982	Official Guardian	337,000	337,000
Mar. 16, 1982	Official Guardian	80,800	80,788
Feb. 17, 1982	Public Trustee	372,000	358,270
Feb. 17, 1982	Supreme Court Accountant	35,000	32,042
	Crown Legal Services Program		
Feb. 17, 1982	Criminal Law Division	2,825,000	2,825,000
Mar. 16, 1982	Criminal Law Division	401,300	401,300
Apr. 13, 1982	Criminal Law Division	300,000	157,312
Feb. 17, 1982	Civil Law Division	250,000	202,733
	Legislative Counsel Services Program		
Feb. 17, 1982	Legislative Counsel Services	152,000	151,397
	Courts Administration Program		
Feb. 17, 1982	Program Administration	57,000	39,080
Feb. 17, 1982	Supreme Court of Ontario	960,000	960,000
Apr. 13, 1982	Supreme Court of Ontario	75,000	74,912
Feb. 17, 1982	County and District Courts	4,120,000	4,120,000
Apr. 13, 1982	County and District Courts	290,000	289,839
Feb. 17, 1982	Small Claims Courts	413,000	413,000
Mar. 16, 1982	Small Claims Courts	255,000	255,000
Apr. 13, 1982	Small Claims Courts	115,000	108,624
Feb. 17, 1982	Provincial Courts	6,842,000	6,761,231
	Administrative Tribunals Program		
Feb. 17, 1982	Assessment Review Court	484,000	477,137
Apr. 13, 1982	Assessment Review Court	15,000	—
Feb. 17, 1982	Criminal Injuries Compensation Board	466,000	466,000
Apr. 13, 1982	Criminal Injuries Compensation Board	30,000	28,848
Feb. 17, 1982	Ontario Municipal Board	177,000	177,000
Mar. 16, 1982	Ontario Municipal Board	90,000	89,782
		20,384,100	19,920,910
	Cabinet Office		
	Cabinet Office Program		
Apr. 13, 1982	Main Office	136,000	101,738

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Colleges and Universities		
	University Support Program		
Mar. 16, 1982	Program Administration	21,400	19,040
Mar. 16, 1982	Provincial Support for Universities	183,600	99,600
	College and Adult Education Support Program		
Mar. 16, 1982	Provincial Support for Colleges of Applied Arts and Technology	144,800	—
Feb. 2, 1982	Apprenticeship	1,593,300	1,578,856
Mar. 16, 1982	Schools for Nursing Assistants	138,200	112,145
Mar. 16, 1982	Advisory Councils	60,800	35,637
		2,142,100	1,845,278
	Ministry of Community and Social Services		
	Ministry Administration Program		
Mar. 23, 1982	Main Office	107,400	75,698
Apr. 6, 1982	Financial Services	215,500	116,027
Mar. 23, 1982	Supply and Office Services	281,100	250,887
Apr. 6, 1982	Personnel Services	204,200	158,195
Mar. 3, 1982	Information Services	96,000	46,704
Mar. 3, 1982	Legal Services	55,800	52,324
Feb. 9, 1982	Systems Development Services	935,600	935,600
Apr. 6, 1982	Systems Development Services	690,000	689,834
Mar. 23, 1982	Social Assistance Review Board	79,900	79,900
Apr. 13, 1982	Social Assistance Review Board	9,500	8,011
	Adult and Children's Services Program		
Apr. 6, 1982	Policy and Program Development	445,800	291,686
Apr. 13, 1982	Policy and Program Development	7,500	—
Mar. 23, 1982	Field Administration	671,600	667,193
Mar. 30, 1982	Income Maintenance	3,468,400	3,468,400
Apr. 13, 1982	Income Maintenance	2,010,900	2,010,900
Apr. 20, 1982	Income Maintenance	4,000,000	3,890,363
Mar. 9, 1982	Adult Social Services	921,300	921,300
Mar. 30, 1982	Adult Social Services	3,200,000	3,200,000
Apr. 13, 1982	Adult Social Services	710,000	607,579
Apr. 6, 1982	Children's Services	5,510,000	5,510,000
Apr. 13, 1982	Children's Services	2,511,600	2,498,782
Apr. 6, 1982	Developmental Services—Adults and Children	14,582,900	14,582,900
Apr. 13, 1982	Developmental Services—Adults and Children	70,500	46,387
		40,785,500	40,108,670
	Ministry of Consumer and Commercial Relations		
	Ministry Administration Program		
Jan. 26, 1982	Main Office	344,500	322,528

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Consumer and Commercial Relations (cont'd)		
Feb. 23, 1982	Financial Services	399,900	388,593
Mar. 23, 1982	Supplies and Office Services	130,800	120,451
Mar. 23, 1982	Personnel Services	154,300	149,178
Mar. 23, 1982	Analysis and Planning	81,100	61,976
	Commercial Standards Program		
Mar. 23, 1982	Pension Plans	32,600	23,674
Mar. 23, 1982	Financial Institutions	205,000	202,004
Mar. 23, 1982	Companies	162,000	130,341
Feb. 23, 1982	Business Practices	832,600	831,965
	Technical Standards Program		
Mar. 23, 1982	Program Administration	44,400	33,051
Mar. 23, 1982	Operating Engineers	12,800	8,391
Mar. 23, 1982	Pressure Vessels Safety	100,500	98,669
Mar. 23, 1982	Elevating Devices	132,400	107,542
Mar. 23, 1982	Fuels Safety	201,500	172,929
Mar. 23, 1982	Upholstered and Stuffed Articles	29,400	27,955
	Public Entertainment Standards Program		
Mar. 23, 1982	Theatres, Lotteries and Athletics Commissioner	23,700	18,590
	Property Rights Program		
Feb. 23, 1982	Real Property Registration	2,333,400	2,328,781
Mar. 23, 1982	Legal and Survey Standards	24,100	3,066
Mar. 23, 1982	Personal Property Registration	808,300	805,993
	Registrar General Program		
Jan. 26, 1982	Registrar General	1,193,400	1,130,370
	Residential Tenancy Program		
Mar. 23, 1982	Residential Tenancy Commission	77,400	74,189
		7,324,100	7,040,236
	Ministry of Correctional Services		
	Ministry Administration Program		
Mar. 3, 1982	Main Office	127,200	95,385
Mar. 3, 1982	Financial Services	442,900	391,152
Mar. 3, 1982	Personnel Services	156,900	156,900
Apr. 13, 1982	Personnel Services	13,300	12,750
Mar. 3, 1982	Information Services	68,900	48,552
	Institutional Program		
Mar. 3, 1982	Care, Treatment and Training	5,191,200	5,149,982
Mar. 3, 1982	Institutional Program Support Services	43,200	—
Mar. 3, 1982	Institutional Staff Training	50,800	48,804
	Community Program		
Mar. 3, 1982	Program Administration	11,000	6,542
Mar. 3, 1982	Probation and Parole Services	1,750,700	1,750,432
Mar. 3, 1982	Ontario Board of Parole Services	93,300	92,078
Mar. 3, 1982	Community Resource Centre Services	76,400	75,209
		8,025,800	7,827,786

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Culture and Recreation		
	Ministry Administration Program		
Apr. 13, 1982	Main Office	44,000	—
Mar. 16, 1982	Financial Services	68,900	56,701
Apr. 13, 1982	Supply and Office Services	41,300	39,524
Mar. 16, 1982	Personnel Services	79,100	41,849
Mar. 16, 1982	Information Services	6,500	—
Mar. 3, 1982	Legal Services	40,700	39,605
Mar. 16, 1982	Audit Services	57,800	29,874
Mar. 16, 1982	Field Services	665,000	643,420
Mar. 3, 1982	Systems Development Services	117,800	94,686
	Heritage Conservation Program		
Mar. 16, 1982	Archives	175,000	172,295
Mar. 3, 1982	Heritage Administration	2,498,200	2,376,514
Mar. 3, 1982	Huronia Historical Sites	235,900	235,900
Apr. 13, 1982	Huronia Historical Sites	22,000	19,722
Mar. 16, 1982	Old Fort William	125,100	125,100
Apr. 13, 1982	Old Fort William	15,000	10,823
	Arts Support Program		
Apr. 13, 1982	Cultural Development and Institutions	690,500	644,919
Mar. 16, 1982	Ontario Science Centre	1,118,100	1,085,403
	Citizenship and Multicultural Support Program		
Mar. 23, 1982	Citizenship Development	121,100	—
Mar. 23, 1982	Special Services for Native Peoples	117,500	28,153
	Sports and Fitness Program		
Mar. 23, 1982	Program Administration	622,700	458,601
Apr. 13, 1982	Recreation and Fitness	168,600	91,694
Apr. 13, 1982	Organized Sports	168,000	41,525
	Ministry Capital Support Program		
Mar. 3, 1982	Capital Support	18,889,500	18,826,869
		26,088,300	25,063,177
	Ministry of Education		
	Ministry Administration Program		
Mar. 16, 1982	Main Office	29,100	—
Mar. 16, 1982	Financial Services	130,000	72,891
Mar. 16, 1982	Supply and Office Services	208,200	182,310
Feb. 17, 1982	Personnel Services	147,300	76,829
Mar. 16, 1982	Information Services	123,800	119,791
Apr. 13, 1982	Legal Services	15,400	13,979
Mar. 16, 1982	Audit Services	27,300	13,415
Feb. 17, 1982	Systems Development and Records Services	703,100	686,890
	Education Program		
Feb. 17, 1982	Program Administration	391,800	233,335
Mar. 16, 1982	Schools for the Blind and Deaf	1,840,500	1,830,052
Mar. 16, 1982	Educational Programs in the Developmental Centres Schools	240,800	102,738
Apr. 13, 1982	Schools for the Learning Disabled	21,300	—
Feb. 17, 1982	Correspondence Education	1,143,900	1,114,197
Feb. 17, 1982	Regional Offices	1,730,300	1,404,167

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Education (cont'd)		
Mar. 16, 1982	Senior and Continuing Education	109,200	71,175
Mar. 16, 1982	Special Education	98,000	66,083
Feb. 17, 1982	Provincial Support for Elementary and Secondary Education	62,495,000	62,246,218
	Services to Education Program		
Mar. 16, 1982	Education Relations Commission	96,800	88,205
Feb. 17, 1982	Languages of Instruction Commission	22,000	12,485
Apr. 13, 1982	Provincial Schools Authority	4,000	3,092
		69,577,800	68,337,852
	Ministry of Energy		
	Ministry Administration Program		
Feb. 23, 1982	Main Office	107,600	103,603
Apr. 6, 1982	Information Services	61,000	60,662
	Conventional Energy Program		
Mar. 23, 1982	Program Development	51,900	—
Apr. 6, 1982	Program Development	22,200	—
Apr. 6, 1982	Fossil Hydrocarbons	26,100	—
	Regulatory Affairs Program		
Mar. 23, 1982	Program Administration	39,600	7,981
Mar. 16, 1982	Natural Gas Regulation	150,000	144,774
		458,400	317,020
	Ministry of the Environment		
	Ministry Administration Program		
Feb. 9, 1982	Main Office	120,000	85,315
Mar. 3, 1982	Capital Financing and Revenue	54,400	24,530
Mar. 3, 1982	Financial Services	122,800	51,417
Mar. 3, 1982	Supply and Office Services	209,900	209,900
Mar. 23, 1982	Supply and Office Services	45,000	41,412
Mar. 3, 1982	Personnel Services	96,000	96,000
Mar. 23, 1982	Personnel Services	10,000	1,023
Mar. 3, 1982	Information Services	80,000	80,000
Mar. 23, 1982	Information Services	80,000	76,708
Mar. 3, 1982	Analysis and Planning	70,000	44,155
Mar. 3, 1982	Legal Services	9,000	—
Mar. 3, 1982	Audit Services	36,200	33,703
Mar. 23, 1982	Audit Services	8,000	—
	Environmental Assessment and Planning Program		
Mar. 3, 1982	Program Administration	119,100	—
Mar. 23, 1982	Program Administration	22,500	—
Mar. 3, 1982	Air Resources	300,300	300,300
Mar. 23, 1982	Air Resources	50,000	49,042
Mar. 3, 1982	Water Resources	513,000	450,781
Mar. 23, 1982	Water Resources	78,000	—

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of the Environment (cont'd)		
Mar. 3, 1982	Pollution Control Planning	452,500	452,500
Mar. 23, 1982	Pollution Control Planning	125,000	63,207
Mar. 3, 1982	Environmental Approvals and Land Use	306,500	267,122
Mar. 23, 1982	Environmental Approvals and Land Use	20,000	—
Mar. 3, 1982	Environmental Assessment Board	16,600	—
	Environmental Control Program		
Mar. 3, 1982	Program Administration	225,000	225,000
Mar. 23, 1982	Program Administration	447,000	424,367
Mar. 3, 1982	Industrial Abatement	736,000	589,827
Mar. 23, 1982	Industrial Abatement	158,000	—
Mar. 3, 1982	Municipal and Private Abatement	599,000	230,820
Mar. 23, 1982	Municipal and Private Abatement	102,000	—
Mar. 3, 1982	Plant Development and Construction	211,400	—
Mar. 23, 1982	Plant Development and Construction	3,687,000	—
Mar. 3, 1982	Plant Operations	814,000	—
Mar. 23, 1982	Plant Operations	1,000,000	—
Mar. 3, 1982	Laboratory and Technical Support	1,419,000	1,419,000
Mar. 23, 1982	Laboratory and Technical Support	647,000	358,967
	Waste Management Program		
Mar. 3, 1982	Waste Utilization	75,900	—
Mar. 3, 1982	Waste Systems Planning	17,700	—
Jan. 26, 1982	Ontario Waste Management Corporation	1,980,000	1,234,770
		15,063,800	6,809,866
	Ministry of Government Services		
	Ministry Administration Program		
Dec. 22, 1981	Main Office	841,400	771,595
Apr. 6, 1982	Main Office	57,600	—
Apr. 6, 1982	Financial Services	38,000	36,032
Apr. 6, 1982	Supply and Office Services	4,100	—
Apr. 6, 1982	Personnel Services	50,000	49,225
Apr. 6, 1982	Information Services	11,400	2,774
Apr. 6, 1982	Legal Services	24,900	1,258
Apr. 6, 1982	Systems Development Services	104,000	85,063
Mar. 16, 1982	Ministers Without Portfolio	120,200	18,825
Apr. 6, 1982	Ministers Without Portfolio	33,000	—
	Provision of Accommodation Program		
Feb. 23, 1982	Capital Construction	2,000,000	2,000,000
Apr. 6, 1982	Capital Construction	910,700	910,034
Apr. 6, 1982	Leasing	274,700	—
Feb. 23, 1982	Lease—Purchase	396,000	388,806
Feb. 23, 1982	Accommodation Alterations	739,000	739,000
Apr. 6, 1982	Accommodation Alterations	438,400	422,785
	Real Property Program		
Apr. 6, 1982	Program Administration	19,400	18,785
Apr. 6, 1982	Real Property Acquisition	310,000	304,208
Apr. 6, 1982	Real Property Management	97,500	86,068
	Upkeep of Accommodation Program		
Apr. 6, 1982	Program Administration	129,300	125,741

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Government Services (cont'd)		
Feb. 23, 1982	Repairs, Operation and Maintenance	550,000	550,000
Apr. 6, 1982	Repairs, Operation and Maintenance	6,806,800	6,762,056
	Supply and Services Program		
Apr. 6, 1982	Program Administration	40,000	33,724
Apr. 6, 1982	Purchasing Services	163,500	—
Apr. 6, 1982	Collection Services	15,000	14,921
Apr. 6, 1982	Vehicle Services and Assets Disposal	30,000	—
Apr. 6, 1982	Government Mail Services	99,000	—
Apr. 6, 1982	Records Centre	8,100	739
Apr. 6, 1982	Legislative Services	192,700	126,827
Apr. 6, 1982	Employee Benefits	18,500	—
Apr. 6, 1982	Insurance and Risk Management	7,300	—
Apr. 6, 1982	Employee Health Services	110,600	42,549
Apr. 6, 1982	Employee Data Services	66,500	—
Apr. 6, 1982	Employee Advisory Services	36,300	24,968
Apr. 6, 1982	Actuarial Services	22,900	—
	Communication and Computer Services Program		
Feb. 2, 1982	Telecommunications	783,000	783,000
Apr. 6, 1982	Telecommunications	238,000	59,713
		15,787,800	14,358,696
	Ministry of Health		
	Ministry Administration Program		
Mar. 23, 1982	Main Office	520,700	513,845
Apr. 13, 1982	Financial Services	527,000	471,470
Apr. 13, 1982	Supply and Office Services	435,000	382,119
Apr. 13, 1982	Personnel Services	230,000	209,948
Apr. 13, 1982	Analysis and Planning	41,000	40,135
Mar. 23, 1982	Legal Services	48,300	32,488
Apr. 13, 1982	Audit Services	92,000	85,697
Apr. 13, 1982	Research	90,000	9,436
	Institutional Health Services Program		
Apr. 13, 1982	Psychiatric Services	22,653,000	22,174,011
Apr. 13, 1982	Emergency Health Services	1,480,000	1,408,518
Apr. 13, 1982	Institutional Care Services	13,316,000	13,316,000
Apr. 22, 1982	Institutional Care Services	25,000,000	24,951,698
Mar. 23, 1982	Laboratory Services	1,605,300	1,578,105
	Community Health Services Program		
Mar. 23, 1982	Program Administration	41,500	14,116
Apr. 13, 1982	District Health Councils	95,000	95,000
Apr. 27, 1982	District Health Councils	28,500	21,086
Apr. 13, 1982	Health Programs	1,659,000	1,453,353
		67,862,300	66,757,025

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Industry and Tourism		
	Ministry Administration Program		
Mar. 3, 1982	Main Office	262,000	262,000
Apr. 13, 1982	Main Office	10,000	8,740
Mar. 3, 1982	Financial Services	175,000	175,000
Apr. 13, 1982	Financial Services	52,000	32,418
Mar. 3, 1982	Supply and Office Services	5,000	5,000
Apr. 13, 1982	Supply and Office Services	40,000	39,467
Mar. 3, 1982	Personnel Services	28,000	28,000
Apr. 13, 1982	Personnel Services	5,000	4,910
Mar. 3, 1982	Information Services	164,000	164,000
Apr. 13, 1982	Information Services	6,000	5,914
Mar. 3, 1982	Audit Services	13,000	1,095
	Policy and Priorities Program		
Mar. 3, 1982	Program Administration	40,000	29,570
Mar. 3, 1982	Trade Policy	23,000	17,940
Mar. 3, 1982	Industry Policy	40,000	40,000
Apr. 13, 1982	Industry Policy	20,000	13,814
Mar. 3, 1982	Industry Sector Policy	163,000	163,000
Apr. 13, 1982	Industry Sector Policy	28,000	24,603
	Industry Development Program		
Mar. 3, 1982	Small Business Development	119,000	—
Mar. 3, 1982	Industrial Development	141,000	141,000
Apr. 13, 1982	Industrial Development	120,000	119,588
Mar. 3, 1982	Trade Development	99,000	8,884
Mar. 3, 1982	Operations	725,000	619,924
Mar. 3, 1982	Evaluation and Assessment	20,000	20,000
Apr. 13, 1982	Evaluation and Assessment	20,000	19,788
Apr. 13, 1982	Ontario Research Foundation	65,000	65,000
Mar. 3, 1982	Ontario International Coproration	70,000	—
	Tourism Development Program		
Mar. 3, 1982	Program Administration	17,000	16,658
Mar. 3, 1982	Tourism Marketing Development	943,000	943,000
Apr. 13, 1982	Tourism Marketing Development	297,700	296,802
Mar. 3, 1982	Tourism Field Operations	163,000	163,000
Apr. 13, 1982	Tourism Field Operations	5,000	4,683
Mar. 3, 1982	Resort Development	11,000	10,936
	Ontario Place Corporation Program		
Feb. 23, 1982	Ontario Place Operations	500,000	500,000
	Industrial Incentives and Development Program		
Apr. 13, 1982	Ontario Development Corporation	1,145,600	944,696
Apr. 13, 1982	Northern Ontario Development Corporation	1,191,100	1,137,806
		6,726,400	6,027,236
	Ministry of Intergovernmental Affairs		
	Ministry Administration Program		
Mar. 23, 1982	Main Office	229,300	210,754
Apr. 13, 1982	Main Office	61,800	—

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Intergovernmental Affairs (cont'd)		
Dec. 8, 1981	Protocol Services	275,300	275,300
Apr. 13, 1982	Protocol Services	20,100	18,277
	Intergovernmental Affairs Program		
Jan. 19, 1982	Intergovernmental Affairs	99,000	99,000
Feb. 23, 1982	Intergovernmental Affairs	434,000	434,000
Apr. 13, 1982	Intergovernmental Affairs	162,900	72,865
		1,282,400	1,110,196
	Justice Policy		
	Justice Policy Program		
Apr. 13, 1982	Justice Policy	30,000	—
	Ministry of Labour		
	Ministry Administration Program		
Mar. 9, 1982	Main Office	472,000	278,719
Mar. 9, 1982	Financial Services	147,000	147,000
Apr. 13, 1982	Financial Services	25,000	189
Mar. 9, 1982	Supply and Office Services	276,800	256,750
Apr. 13, 1982	Supply and Office Services	25,000	—
Mar. 9, 1982	Personnel Services	117,000	99,420
Mar. 9, 1982	Information Services	65,000	47,739
Mar. 9, 1982	Analysis and Planning	17,100	—
Mar. 9, 1982	Legal Services	67,800	58,376
Mar. 9, 1982	Systems Development Services	120,000	111,985
	Industrial Relations Program		
Mar. 9, 1982	Program Administration	156,000	145,157
Apr. 13, 1982	Program Administration	50,000	—
Mar. 9, 1982	Conciliation and Mediation Services	177,000	128,215
Mar. 9, 1982	Office of Arbitration	120,000	119,623
	Women's Program		
Mar. 9, 1982	Women's Bureau	39,000	7,017
	Occupational Health and Safety Program		
Mar. 9, 1982	Construction Health and Safety	647,300	620,432
Apr. 13, 1982	Construction Health and Safety	10,000	—
Mar. 9, 1982	Industrial Health and Safety	699,900	699,900
Apr. 13, 1982	Industrial Health and Safety	35,000	2,289
Mar. 9, 1982	Mining Health and Safety	109,000	109,000
Apr. 13, 1982	Mining Health and Safety	45,000	9,995
Mar. 9, 1982	Special Studies and Services	39,000	—
	Employment Standards Program		
Mar. 9, 1982	Employment Standards	747,000	670,834
Mar. 9, 1982	Plant Closure and Review	84,000	41,757
	Labour Relations Board Program		
Mar. 9, 1982	Labour Relations Board	457,000	384,049
		4,747,900	3,938,446

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Office of the Lieutenant Governor		
	Office of the Lieutenant Governor Program		
Dec. 1, 1981	Office of the Lieutenant Governor	45,200	44,199
	Management Board of Cabinet		
	Ministry Administration Program		
Apr. 13, 1982	Main Office	153,900	9,570
Mar. 30, 1982	Personnel	13,000	8,194
Apr. 13, 1982	Other Administration	100,800	32,046
	Policy Development and Analysis Program		
Apr. 13, 1982	Compensation	110,000	67,787
Apr. 13, 1982	Programs and Estimates	136,000	59,844
	Personnel Audit Program		
Mar. 30, 1982	Personnel Audit	12,000	12,000
Apr. 13, 1982	Personnel Audit	10,000	5,311
	Employee Relations Program		
Mar. 3, 1982	Public Service Appeal Boards	129,600	128,352
Mar. 30, 1982	Staff Relations	10,000	10,000
Apr. 13, 1982	Staff Relations	10,000	8,388
	Government Personnel Services Program		
Apr. 13, 1982	Temporary Help Services	125,000	69,250
Apr. 13, 1982	French Language Services	238,200	176,894
		1,048,500	587,636
	Ministry of Municipal Affairs and Housing		
	Ministry Administration Program		
Apr. 13, 1982	Main Office	164,300	146,180
Apr. 13, 1982	Analysis and Planning	97,600	90,201
Apr. 13, 1982	Audit Services	25,000	5,506
	Community Planning Program		
Apr. 13, 1982	Project Planning	34,000	19,144
	Land Development Program		
Apr. 13, 1982	Ontario Land Corporation	1,135,000	1,131,946
Apr. 13, 1982	Land Operations	65,000	46,728
Apr. 13, 1982	Planning and Development	75,000	64,856
	Ontario Mortgage Program		
Apr. 13, 1982	Mortgage Administration	397,200	348,968
Feb. 23, 1982	Ontario Mortgage Corporation	9,000,000	8,875,219
		10,993,100	10,728,748
	Ministry of Natural Resources		
	Ministry Administration Program		
Feb. 17, 1982	Main Office	706,000	678,870
Mar. 30, 1982	Financial Services	158,000	157,558
Mar. 30, 1982	Supply and Office Services	333,000	328,430
Feb. 17, 1982	Personnel Services	166,000	82,739

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Natural Resources (cont'd)		
Mar. 30, 1982	Information Services	27,000	18,791
Mar. 9, 1982	Systems Development Services	57,000	48,560
Mar. 30, 1982	Legal Services	50,000	49,077
Mar. 30, 1982	Audit Services	58,000	40,315
Feb. 17, 1982	Field Administration	4,353,000	4,344,261
	Land Management Program		
Sept. 15, 1981	Aviation and Fire Management	9,020,300	9,020,300
Mar. 16, 1982	Aviation and Fire Management	2,428,000	2,329,888
June 29, 1981	Extra Fire Fighting	3,000,000	3,000,000
Aug. 18, 1981	Extra Fire Fighting	6,000,000	6,000,000
Oct. 6, 1981	Extra Fire Fighting	3,500,000	3,500,000
Oct. 27, 1981	Extra Fire Fighting	2,500,000	2,499,673
Mar. 23, 1982	Land Management	1,628,200	1,548,850
Mar. 30, 1982	Surveys and Mapping	467,000	461,390
	Outdoor Recreation Program		
Mar. 30, 1982	Recreational Areas	856,000	854,017
Mar. 30, 1982	Fish and Wildlife	2,120,700	2,119,117
Sept. 8, 1981	St. Lawrence Parks Commission	3,667,500	3,667,500
Feb. 17, 1982	St. Lawrence Parks Commission	671,000	642,555
	Resource Products Program		
Mar. 30, 1982	Forest Management	1,777,100	881,087
	Resource Experience Program		
Dec. 8, 1981	Junior Rangers	150,000	116,696
Nov. 24, 1981	Experience '81	100,000	74,424
Feb. 17, 1981	Leslie M. Frost Natural Resources Centre	142,000	134,752
		43,935,800	42,598,850
	Ministry of Northern Affairs		
	Ministry Administration Program		
Feb. 23, 1982	Analysis and Planning	303,800	303,800
Mar. 23, 1982	Analysis and Planning	17,000	14,492
Mar. 23, 1982	Information Services	164,000	161,358
	Northern Economic Development Program		
Mar. 23, 1982	Program Administration	118,000	118,000
Mar. 30, 1982	Program Administration	95,000	88,119
Mar. 30, 1982	Transportation Development	1,100,000	1,054,327
	Northern Transportation Program		
Mar. 9, 1982	Northern Roads	2,800,000	2,798,107
Mar. 16, 1982	Air Services	832,000	829,457
Mar. 16, 1982	Rail and Ferry Services	119,000	119,000
	Northern Community Services and Development Program		
Mar. 23, 1982	Community Services	223,000	163,203
Mar. 30, 1982	Community Infrastructure	1,880,000	1,685,746
		7,651,800	7,335,609

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Office of the Premier		
	Office of the Premier Program		
Apr. 13, 1982	Office of the Premier	210,000	199,630
	Ministry of Revenue		
	Ministry Administration Program		
Mar. 23, 1982	Analysis and Planning	51,100	51,100
Apr. 13, 1982	Analysis and Planning	60,000	29,189
Apr. 13, 1982	Legal Services	45,000	44,974
Mar. 23, 1982	Audit Services	68,600	68,600
Apr. 13, 1982	Audit Services	20,000	12,854
Mar. 23, 1982	Financial Services	103,200	103,200
Apr. 13, 1982	Financial Services	43,200	40,960
Mar. 23, 1982	Supply and Office Services	110,300	110,300
Apr. 13, 1982	Supply and Office Services	57,200	55,275
Mar. 23, 1982	Personnel Services	113,700	102,696
Mar. 23, 1982	Communications Services	27,300	18,754
Feb. 2, 1982	Systems Development Services	272,000	272,000
Apr. 13, 1982	Systems Development Services	75,000	31,902
	Tax Revenue Program		
Jan. 26, 1982	Administration	9,000	9,000
Mar. 23, 1982	Administration	20,000	15,018
Mar. 23, 1982	Tax Appeals	86,700	72,933
Mar. 23, 1982	Special Investigations	91,900	73,648
Mar. 23, 1982	Revenue and Operations Research	124,300	124,300
Apr. 13, 1982	Revenue and Operations Research	20,000	12,086
Jan. 26, 1982	Taxpayer Services	123,000	123,000
Feb. 9, 1982	Taxpayer Services	188,000	188,000
Mar. 23, 1982	Taxpayer Services	164,400	158,470
Dec. 15, 1981	Taxation Data Centre	243,300	243,300
Jan. 26, 1982	Taxation Data Centre	203,000	203,000
Feb. 9, 1982	Taxation Data Centre	476,000	476,000
Apr. 13, 1982	Taxation Data Centre	40,000	38,504
Mar. 23, 1982	Corporations Tax and Other Taxes	829,200	829,200
Apr. 13, 1982	Corporations Tax and Other Taxes	19,700	15,437
Jan. 26, 1982	Motor Fuels and Other Taxes	3,000,000	2,677,867
Feb. 9, 1982	Motor Fuels and Other Taxes	804,400	—
Mar. 23, 1982	Retail Sales Tax and Other Taxes	1,479,500	1,479,500
Apr. 13, 1982	Retail Sales Tax and Other Taxes	18,000	13,401
	Guaranteed Income and Tax Credits Program		
Mar. 23, 1982	Administration	606,000	551,646
	Property Assessment Program		
Mar. 23, 1982	Administration	17,400	15,971
Apr. 13, 1982	Policies and Priorities	26,300	25,904
Mar. 23, 1982	Assessment Services	50,200	40,947
Mar. 23, 1982	Assessment Field Operations	5,623,700	5,541,890
Mar. 23, 1982	Special Properties	165,800	151,905
Mar. 23, 1982	Data Services and Development	57,400	52,604
		15,533,800	14,075,335

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Social Development Policy		
	Social Development Policy Program		
Apr. 13, 1982	Social Development Policy	35,000	—
Apr. 13, 1982	Social Development Councils	6,200	—
Apr. 13, 1982	Youth Secretariat	138,000	100,187
		179,200	100,187
	Ministry of the Solicitor General		
	Ministry Administration Program		
Feb. 2, 1982	Main Office	73,000	73,000
Mar. 30, 1982	Main Office	200,000	193,316
Feb. 2, 1982	Financial Services	137,000	52,836
Feb. 2, 1982	Supply and Office Services	27,000	17,192
Feb. 2, 1982	Personnel Services	77,600	77,600
Mar. 30, 1982	Personnel Services	150,000	89,104
Feb. 2, 1982	Analysis and Planning	18,000	11,054
Feb. 2, 1982	Audit Services	46,200	15,696
Feb. 2, 1982	Systems Development Services	169,000	135,648
	Public Safety Program		
Feb. 2, 1982	Program Management	11,000	—
Feb. 2, 1982	Centre of Forensic Sciences	296,000	263,458
Feb. 2, 1982	Fire Safety Services	917,000	917,000
Mar. 9, 1982	Fire Safety Services	1,649,000	1,649,000
Apr. 13, 1982	Fire Safety Services	250,000	104,267
Feb. 2, 1982	Coroners' Investigations and Inquests	422,000	150,122
Feb. 2, 1982	Forensic Pathology	31,000	4,248
	Supervision of Police Forces Program		
Feb. 2, 1982	Ontario Police College	183,000	183,000
Feb. 9, 1982	Ontario Police College	220,000	214,026
Feb. 2, 1982	Ontario Police Arbitration Commission	4,000	845
	Management and Support Services Program		
Feb. 2, 1982	Office of the Commissioner	136,000	112,787
Mar. 30, 1982	Office of the Commissioner	20,000	—
Feb. 2, 1982	Staff Inspection	103,000	52,216
Feb. 2, 1982	Properties	137,000	64,685
Feb. 2, 1982	Staff Development	248,000	—
Feb. 2, 1982	Planning and Research	183,000	162,427
Feb. 2, 1982	Transport	254,000	254,000
Feb. 9, 1982	Transport	4,270,000	4,270,000
Mar. 30, 1982	Transport	1,000,000	1,000,000
Apr. 13, 1982	Transport	1,000,000	587,971
Mar. 30, 1982	Quartermaster Stores	158,000	157,422
Feb. 2, 1982	Records	183,000	66,913
	Operations Program		
Feb. 2, 1982	Special Services	1,483,000	1,483,000
Feb. 9, 1982	Special Services	560,000	344,248
Feb. 2, 1982	Law Enforcement	20,583,700	18,333,134
Feb. 9, 1982	Law Enforcement	2,000,000	—
Feb. 2, 1982	Ontario Government Protective Service	605,200	499,752

Date of Order	Ministry Program and Activity	Authorized	Expended
	Ministry of the Solicitor General (cont'd)	$	$
Feb. 2, 1982	Registration	156,000	136,793
Feb. 2, 1982	Ontario Provincial Police Auxiliary	29,000	23,052
Feb. 2, 1982	Community Services	90,000	90,000
Mar. 30, 1982	Community Services	25,000	15,962
		38,104,700	31,805,774
	Ministry of Transportation and Communications		
	Ministry Administration Program		
Mar. 9, 1982	Main Office	245,000	245,000
Mar. 30, 1982	Main Office	300,000	297,208
Mar. 9, 1982	Financial Services	984,000	984,000
Mar. 30, 1982	Financial Services	500,000	500,000
Apr. 13, 1982	Financial Services	47,000	29,848
Mar. 9, 1982	Legal Services	89,000	89,000
Mar. 30, 1982	Legal Services	255,000	255,000
Apr. 6, 1982	Legal Services	115,000	105,248
Apr. 13, 1982	Legal Services	5,000	—
Mar. 9, 1982	Personnel Services	274,000	274,000
Mar. 30, 1982	Personnel Services	200,000	164,780
Apr. 13, 1982	Personnel Services	6,000	—
Mar. 9, 1982	Supply and Office Services	966,000	966,000
Apr. 13, 1982	Supply and Office Services	361,848	199,453
Mar. 9, 1982	Audit Services	494,000	447,011
Mar. 30, 1982	Information Services	117,000	48,865
	Planning, Research and Development Program		
Mar. 9, 1982	Planning	306,000	306,000
Mar. 30, 1982	Planning	950,000	942,320
Mar. 9, 1982	Research and Development	470,000	470,000
Mar. 30, 1982	Research and Development	465,000	431,460
Apr. 13, 1982	Research and Development	2,000	—
	Safety and Regulation Program		
Mar. 9, 1982	Program Administration	445,000	445,000
Apr. 6, 1982	Program Administration	475,000	456,321
Mar. 9, 1982	Licensing	1,658,000	1,658,000
Apr. 13, 1982	Licensing	560,000	495,335
Mar. 9, 1982	Examination, Inspection and Enforcement	2,494,000	2,494,000
Apr. 13, 1982	Examination, Inspection and Enforcement	610,000	375,137
	Provincial Roads Program		
Mar. 9, 1982	Program Administration	2,770,000	2,770,000
Apr. 13, 1982	Program Administration	160,000	127,543
Mar. 9, 1982	Design	4,462,000	4,408,524
Mar. 9, 1982	Capital and Construction	4,658,000	—
Mar. 9, 1982	Maintenance	10,470,000	10,470,000
Apr. 13, 1982	Maintenance	6,000,000	5,976,355
	Provincial Transit Program		
Apr. 13, 1982	Operations	350,000	348,656

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Transportation and Communications (cont'd)		
	Air Program		
Mar. 30, 1982	Program Administration	53,000	8,067
Mar. 9, 1982	Maintenance	130,000	130,000
Apr. 13, 1982	Maintenance	450,000	387,198
	Municipal Roads Program		
Mar. 9, 1982	Program Administration	481,000	455,628
Apr. 6, 1982	Capital, Construction and Maintenance	3,000,000	2,892,648
	Municipal Transit Program		
Mar. 9, 1982	Program Administration	100,000	—
Mar. 30, 1982	Capital and Construction	7,078,000	3,613,334
	Communications Program		
Mar. 30, 1982	Program Administration	177,000	4,226
Mar. 30, 1982	Regulation	45,000	—
Apr. 13, 1982	Capital and Construction	80,000	60,073
		53,857,848	44,331,238
	Ministry of Treasury and Economics		
	Ministry Administration Program		
Feb. 23, 1982	Main Office	170,000	140,538
Feb. 23, 1982	Financial Services	100,000	100,000
June 22, 1982	Financial Services	36,000	35,468
June 22, 1982	Supply and Office Services	27,000	26,363
Mar. 9, 1982	Personnel Services	40,000	40,000
June 22, 1982	Personnel Services	28,000	27,935
Feb. 23, 1982	Information Services	165,000	159,588
Mar. 9, 1982	Audit Services	21,000	13,484
	Treasury Program		
Mar. 9, 1982	Treasury	255,000	211,855
Apr. 13, 1982	Treasury	45,000	—
	Budget and Intergovernmental Finance Policy Program		
Mar. 9, 1982	Budget and Intergovernmental Finance Policy	280,000	163,996
	Central Statistical Services Program		
Mar. 9, 1982	Central Statistical Services	85,000	—
		1,252,000	919,227
	Total Management Board Orders	508,421,348	470,444,980

EXHIBIT 4

STATUTORY APPROPRIATIONS

Amounts Expended Thereunder
Year Ended March 31, 1982

Ministry	Activity	Payment Classification	Expended
			$
Agriculture and Food	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Payment of Guarantees	Expenditure	110,941
	Subsidy payments to The Ontario Crop Insurance Fund	Expenditure	15,982,408
	Tile Drainage Debentures	Disbursement	28,494,000
	Payments from the Provincial Lottery Trust Fund	Charge	1,691,271
	Ontario Agricultural Museum Trust Fund	Charge	8,956
	Richard Blake Palmer Horticultural Trust	Charge	6,750
			46,324,826
Office of the Assembly	The Election Act	Expenditure	4,768,316
	Contribution to Legislative Assembly Retirement Allowances Account	Expenditure	1,826,955
			6,595,271
Attorney General	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	5,523
	The Proceedings against the Crown Act	Expenditure	36,332
	Allowances to Supreme Court Judges	Expenditure	186,288
	Allowances to Judges	Expenditure	442,652
	The Metropolitan Police Force Complaints Project	Expenditure	147,466
			841,561
Colleges and Universities	Queen Elizabeth II Ontario Scholarship Fund	Charge	57,824
Community and Social Services	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Payments from the Provincial Lottery Trust Fund	Charge	1,249,413
	Bequests and Scholarships	Charge	18,576
			1,298,489

Ministry	Activity	Payment Classification	Expended
			$
Consumer and Commercial Relations	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	6,253
	Unclaimed monies	Charge	2,032
	Payments from The Motor Vehicle Accident Claims Fund	Charge	15,447,785
	Security Bond Forfeitures:		
	Consumer Protection Act	Charge	25,000
	Motor Vehicle Dealers Act	Charge	20,000
	Real Estate and Business Brokers Act	Charge	34,000
	Travel Industry Act	Charge	108,907
	Contract security deposits Athletics Commissioner	Charge	10,000
	Fees Under the Vital Statistics Act	Expenditure	380
			15,677,657
Correctional Services	Minister's Salary	Expenditure	23,300
	Unclaimed moneys	Charge	7
	Bequests	Charge	159
			23,466
Culture and Recreation	Minister's Salary	Expenditure	26,300
	Parliamentary Assistant's Salary	Expenditure	6,440
	George R. Gardiner Museum of Ceramic Art	Expenditure	2,300,000
	Ontario Olympic Lottery Sports Fund	Charge	155,115
			2,487,855
Education	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Bequests and Scholarships	Charge	57,965
	Ontario Education Association—Elementary Teachers' Loan Fund	Charge	382
	Student Aid Loans, Write-off	Expenditure	6,298
	Teachers' Superannuation Fund	Expenditure	152,404,149
	Superannuation Adjustment Fund	Expenditure	31,868,264
	Superannuation Adjustment Benefits	Expenditure	49,311,537
			233,679,095
Energy	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	6,431
	Advance to Ontario Energy Corporation	Disbursement	325,000,000
			325,029,731

Ministry	Activity	Payment Classification	Expended
			$
Environment	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	6,253
	Payments from the Provincial Lottery Trust Fund	Charge	899,852
	Reserve Fund for Renewals, Replacements and Contingencies	Charge	724,399
	Sinking Fund for Recovery of the Cost of Capital Assets	Charge	234,985
			1,888,789
Government Services	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	6,254
	Ministers' without Portfolio Salaries	Expenditure	33,238
	Contract security deposits	Charge	43,850
	Effingham Park Expropriation Trust Account	Charge	19,741
	Government Stationery Account	Expenditure	204,925
			331,308
Health	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	6,627
	Government Pharmacy	Expenditure	293,279
	Payments from the Provincial Lottery Trust Fund	Charge	26,199,998
	Terry Fox Research Fund	Charge	154,774
	Payments from Super Loto Trust Fund	Charge	10,000,000
	Reserve for outstanding cheques	Charge	81,046
			36,759,024
Industry and Tourism	Minister's Salary	Expenditure	22,387
	Parliamentary Assistant's Salary	Expenditure	6,329
	Ontario Development Corporation	Disbursement	12,451,723
	Northern Ontario Development Corporation	Disbursement	10,532,636
	Eastern Ontario Development Corporation	Disbursement	12,620,000
			35,633,075
Intergovernmental Affairs	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
			30,500
Justice	Minister's Salary	Expenditure	3,000

Ministry	Activity	Payment Classification	Expended
			$
Policy	Payments from the Provincial Lottery Trust Fund	Charge	290,035
			293,035
Labour	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	6,431
	Payments from the Provincial Lottery Trust Fund	Charge	994,436
	Mine Rescue Training	Expenditure	753,764
	Employment Standards—Unclaimed wages	Charge	52,980
			1,830,911
Management Board of Cabinet	Minister's Salary	Expenditure	23,300
Municipal Affairs and Housing	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Election Expenses The District of Parry Sound	Expenditure	6,216
	Loans to Municipalities under the Shoreline Property Assistance Act	Disbursement	907,100
			943,816
Natural Resources	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Contract security deposits	Charge	458,343
	Payments from the Provincial Lottery Trust Fund	Charge	2,091,620
	Timber licencees' fund held in trust	Charge	391,256
			2,971,719
Northern Affairs	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,108
			30,408
Office of the Premier	Premier's Salary	Expenditure	33,200

Ministry	Activity	Payment Classification	Expended
			$
Office of the Provincial Auditor	Provincial Auditor's Salary	Expenditure	82,267
Resources Development Policy	Minister's Salary	Expenditure	23,300
Revenue	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	6,253
	Contract security deposits—Retail Sales Tax	Charge	45,166
	Local Services Board Levy	Charge	3,896
	Province of Ontario Savings Office Program	Expenditure	5,390,172
			5,468,787
Social Development Policy	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
			30,500
Solicitor General	Minister's Salary	Expenditure	7,025
	Payments under the Ministry of Treasury and Economics Act	Expenditure	130,838
	Metropolitan Police Force Complaints Project	Expenditure	45,218
	Hearings Under the Police Act	Expenditure	3,002
	Ontario Police College Library Trust Fund	Charge	6,419
	Payments under the Police Act	Expenditure	9,959
	Cloud II Trust Fund	Charge	163
			202,624
Transportation and Communications	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	6,273
	Asset Replacement	Charge	2,500
	Contract security deposits	Charge	1,700
			33,773
Treasury and Economics	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	6,2[illegible]
	Public Debt		
	Interest on Ontario Securities		
	Public Issues		
	For general purposes	Expenditure	86,058,882

Ministry	Activity	Payment Classification	Expended
			$
Treasury and Economics (cont'd)	Non-Public Issues		
	Canada Pension Plan Investment Fund	Expenditure	837,191,688
	Teachers' Superannuation Fund	Expenditure	378,207,440
	Ontario Municipal Employees Retirement Fund	Expenditure	117,250,593
	Other	Expenditure	33,534,418
	Interest on Public Service Superannuation Fund	Expenditure	202,266,515
	Interest on Superannuation Adjustment Fund	Expenditure	55,994,513
	Interest on The Province of Ontario Savings Office Deposits	Expenditure	98,364,120
	Other interest, exchange, discount and commission	Expenditure	23,601,067
	Development Loans		
	The Ontario Municipal Improvement Corporation	Disbursement	2,859,000
	Pension Funds, Deposit, Trust and Reserve Accounts		
	Payments from Public Service Superannuation Fund	Charge	100,572,584
	Payments from Superannuation Adjustment Fund:		
	Public Service Superannuation Plan	Charge	12,124,142
	Teachers' Superannuation Plan	Charge	13,459,528
	Retirement Pension Plan of Ryerson Polytechnical Institute	Charge	56,151
	Caucus Employees Retirement Plan	Charge	19,503
	Payments from Legislative Assembly Retirement Allowances Account	Charge	994,531
	Other	Charge	5,624,804
	Debt transactions	Retirements of Loans	75,400,570
			2,043,609,602
	Total Statutory Payments		2,762,235,713*

Summary of Statutory Payments

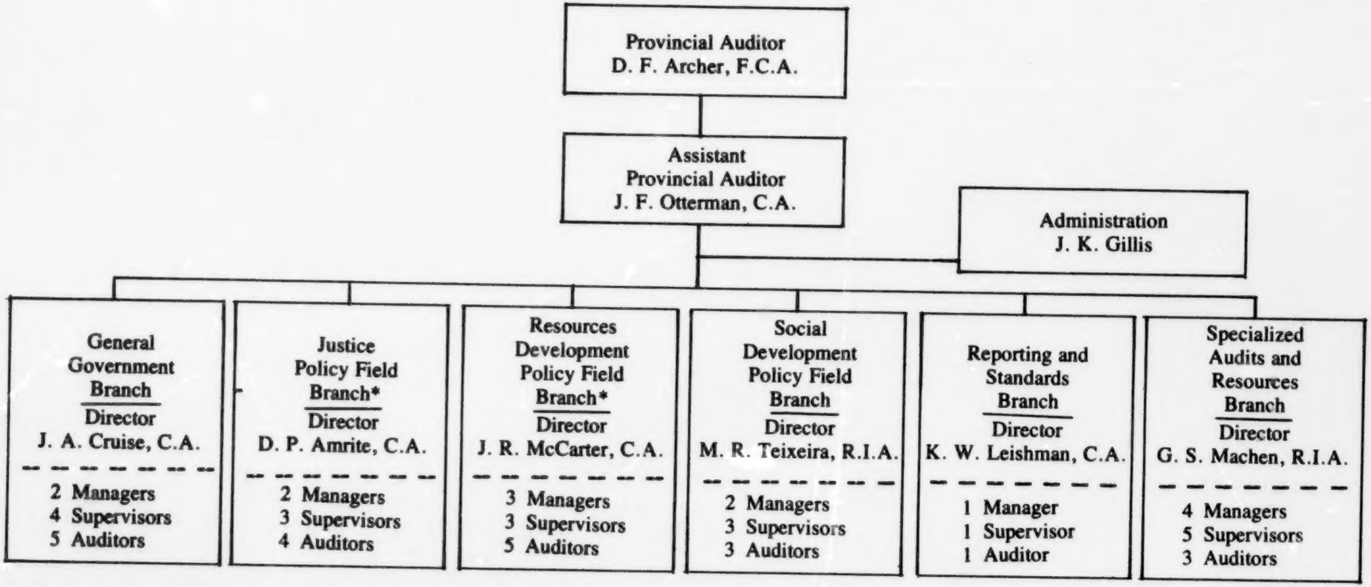
	$
Budgetary Expenditure	2,099,528,140
Disbursements	392,864,459
Charges	194,442,544
Retirements of Loans	75,400,570
	2,762,235,713*

---

* Does not include Ontario Hydro transactions. See Report section 4.9

EXHIBIT 5

ORGANIZATION CHART
OFFICE OF THE PROVINCIAL AUDITOR


Provincial Auditor
D. F. Archer, F.C.A.
Assistant
Provincial Auditor
J. F. Otterman, C.A.
Administration
J. K. Gillis
General Government Branch
Director
J. A. Cruise, C.A.
2 Managers
4 Supervisors
5 Auditors
Justice Policy Field Branch*
Director
D. P. Amrite, C.A.
2 Managers
3 Supervisors
4 Auditors
Resources Development Policy Field Branch*
Director
J. R. McCarter, C.A.
3 Managers
3 Supervisors
5 Auditors
Social Development Policy Field Branch
Director
M. R. Teixeira, R.I.A.
2 Managers
3 Supervisors
3 Auditors
Reporting and Standards Branch
Director
K. W. Leishman, C.A.
1 Manager
1 Supervisor
1 Auditor
Specialized Audits and Resources Branch
Director
G. S. Machen, R.I.A.
4 Managers
5 Supervisors
3 Auditors

* Ministry of Municipal Affairs and Housing audited by Justice Policy Field Branch

NOTE: Students are not assigned to a specific branch, but are allocated as required.

EXHIBIT 6

OFFICE OF THE PROVINCIAL AUDITOR MINISTRY AUDITS AND SPECIAL REVIEWS

Year Ended March 31, 1982

(See Note)

MINISTRY AUDITS

- Agriculture and Food
- Attorney General
- Colleges and Universities
- Community and Social Services
- Culture and Recreation
- Education
- Energy
- Health
- Industry and Tourism
- Intergovernmental Affairs
- Justice Policy
- Labour
- Management Board of Cabinet (including Civil Service Commission)
- Natural Resources
- Northern Affairs
- Office of the Premier and Cabinet Office
- Resources Development Policy
- Revenue
- Social Development Policy
- Solicitor General
- Transportation and Communications
- Treasury and Economics

SPECIAL REVIEWS

- Management Controls Reviews:
  - Forest Fire Management, Ministry of Natural Resources
  - Program and Estimates Activity of the Policy Development and Analysis Program, Management Board of Cabinet
  - Administration of Grants to Native People, Secretariat for Resources Development
- Reviews for Standing Public Accounts Committee:
  - Project evaluation re computer conversion projects, control of information and ratio of internal vs. external processing work, Ministries of Correctional Services and of the Environment

Detailed Reviews of EDP activities and Associated Management Controls:

- Ontario Northland Transportation Commission
- Ministry of the Attorney General
- Ministry of Government Services

Other:

- Audit of Contract between the Ministry of Agriculture and Food and the University of Guelph

NOTE: In general, this listing includes audits completed between the date (September 30, 1981) of our 1981 Report and the date (September 30, 1982) of this Report. In all cases, at least a portion of the period covered by the audit fell within the fiscal year ended March 31, 1982.

EXHIBIT 7

OFFICE OF THE PROVINCIAL AUDITOR AGENCY OF THE CROWN AND CROWN CONTROLLED CORPORATION AUDITS

Year Ended March 31, 1982

(See Notes)

AGENCIES OF THE CROWN

(i) Whose accounts the Provincial Auditor is appointed to audit by its shareholders or by its board of management, board of directors or other governing body.

Ontario Educational Services Corporation
Ontario Industrial Training Institute
* Ontario Land Corporation
* Ontario Mortgage Corporation
Ontario Waste Management Corp.
The Owen Sound Transportation Company, Limited (December 31, 1981)
Soldiers' Aid Commission
Star Transfer Limited (December 31, 1981)

(ii) Whose accounts are audited by the Provincial Auditor pursuant to appointment under any Act or by the Lieutenant Governor in Council.

* The Accountant of the Supreme Court of Ontario
Agricultural Rehabilitation and Development Directorate of Ontario
Alcoholism and Drug Addiction Research Foundation
* Algonquin Forestry Authority
The Centennial Centre of Science and Technology
Commission on Election Contributions and Expenses
* The Crop Insurance Commission of Ontario
* Eastern Ontario Development Corporation
* Farm Income Stabilization Commission of Ontario
The Fund for Milk and Cream Producers, The Milk Commission of Ontario
IDEA Corporation (Note 2)
The John Graves Simcoe Memorial Foundation
The Law Society of Upper Canada, Legal Aid Fund
* Liquor Control Board of Ontario
The McMichael Canadian Collection
* The Niagara Parks Commission (October 31, 1981)
* Northern Ontario Development Corporation

North Pickering Development Corporation
Office of the Assembly
Office of the Official Guardian
Office of the Ombudsman
Ontario Agricultural Museum
The Ontario Cancer Treatment and Research Foundation
Ontario Deposit Insurance Corporation (December 31, 1981)
* Ontario Development Corporation
* The Ontario Education Capital Aid Corporation
The Ontario Educational Communications Authority
* Ontario Food Terminal Board
The Ontario Heritage Foundation
* Ontario Housing Corporation (December 31, 1981)
Ontario International Corporation
* The Ontario Junior Farmer Establishment Loan Corporation
* Ontario Lottery Corporation
* The Ontario Municipal Improvement Corporation
* Ontario Northland Transportation Commission (December 31, 1981)
* Ontario Place Corporation
Ontario Racing Commission
* Ontario Stock Yards Board (June 30, 1981)
The Ontario Telephone Development Corporation
* The Ontario Universities Capital Aid Corporation
Ontario Waste Management Corporation (Note 2)
Pension Commission of Ontario
Police Complaints Board (Note 2)
Province of Ontario Council for the Arts
Public Complaints Commissioner (Note 2)
* Public Service Superannuation Fund
* The Public Trustee of the Province of Ontario
Residential Tenancy Commission
The St. Clair Parkway Commission (December 31, 1981)
The St. Lawrence Parks Commission
* Superannuation Adjustment Fund

(iii) Whose accounts are audited by an auditor, other than the Provincial Auditor, appointed by the Lieutenant Governor in Council. These audits are performed under the direction of the Provincial Auditor pursuant to section 9(2) of the Audit Act.

Board of the Community Psychiatric Hospital, Guelph
Clarke Institute of Psychiatry
The Ontario Cancer Institute
Ontario Mental Health Foundation

Teachers' Superannuation Fund (December 31, 1981)
* Workmen's Compensation Board (December 31, 1981)

(iv) The audit of whose accounts the Provincial Auditor is required to direct or review, or in respect of which the auditor's report and working papers used in the preparation of the auditor's statement are required to be made available to the Provincial Auditor under the agency's governing Act.

* Toronto Area Transit Operating Authority

CROWN CONTROLLED CORPORATIONS, whose accounts are audited by an auditor other than the Provincial Auditor, with full access by the Provincial Auditor to audit reports, working papers and other related documents.

Beechgrove Regional Children's Centre Board of Governors
The Board of Governors of The Ontario Institute for Studies in Education (April 30, 1982)
The George R. Gardiner Museum of Ceramic Art (Note 2)
Metropolitan Toronto Convention Centre Corporation
Ontario Cream Producers' Marketing Board (September 30, 1981)
* Ontario Energy Corporation (December 31, 1981)
Ontario Historical Studies Series
* Ontario Hydro (December 31, 1981)
The Ontario Milk Marketing Board (October 31, 1981)
Ontario Municipal Employees Retirement Board (December 31, 1981)
Ontario Research Foundation (December 31, 1981)
Ontario Share and Deposit Insurance Corporation (December 31, 1981)
The Ontario Transportation Development Corporation (December 31, 1981)
Ontario Van Pool Organization Limited (December 31, 1980)
The Royal Ontario Museum (June 30, 1981)
* Urban Transportation Development Corporation Ltd. (December 31, 1981)

*** Audited financial statements reproduced in 1981-82 Public Accounts, the majority appearing in Volume 2 thereof.**

Note 1: In all cases, the audit covered the fiscal period of the Agency or Corporation. In most cases, the fiscal period ended on March 31, 1982. Where the fiscal period ended on a date other than March 31, 1982, such date has been indicated in parenthesis.

Note 2: Newly established this fiscal year.

EXHIBIT 8

OFFICE OF THE PROVINCIAL AUDITOR
PROVINCE OF ONTARIO

STATEMENT OF EXPENDITURE
for the year ended March 31, 1982

	1982		1981	
	Estimates	Actual	Estimates	Actual
Salaries and wages	$2,808,000	$2,387,375	$2,138,500	$1,977,740
Employee benefits	454,000	356,286	334,000	311,635
Transportation and communication	80,000	96,031	68,500	77,180
Services	90,000	129,516	120,000	186,792
Supplies and equipment	25,000	56,054	15,000	13,372
Canadian Comprehensive Auditing Foundation	27,000	27,000	24,000	24,000
	3,484,000	3,052,262	2,700,000	2,590,719
Provincial Auditor's salary (the Audit Act)	65,000	82,267	59,000	64,853
	$3,549,000	$3,134,529	$2,759,000	$2,655,572

NOTES

1. **Accounting Policy**

The statement of expenditure has been prepared using the basis of accounting followed by the Province of Ontario with respect to the Public Accounts. This basis uses the "cash flow" principle of accounting modified to allow an additional thirty days to pay for goods or services pertaining to the fiscal year just ended.

2. **Estimates**

The estimates shown above are those noted and approved, including supplementary estimates where applicable.

AUDITORS' REPORT

TO THE BOARD OF INTERNAL ECONOMY
THE PROVINCE OF ONTARIO

We have examined the statement of expenditure of the Office of the Provincial Auditor for the year ended March 31, 1982. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, this statement presents fairly the expenditures of the Office of the Provincial Auditor for the year ended March 31, 1982 in accordance with the basis of accounting described in Note 1 to the statement applied on a basis consistent with that of the preceding year.

Toronto, Ontario
August 13, 1982

CLARKE, HENNING & CO.
CHARTERED ACCOUNTANTS

EXHIBIT 9

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN PREVIOUS ANNUAL REPORTS

(See Note)

Report	Section	Caption	Status as at Date of Preparation of 1982 Auditor's Report
		Ministry of Agriculture and Food	
1981	*2.2	Recommendations for improvements in compiling and reporting results and for improved economy.	In process of implementation—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Ministry of the Attorney General	
1981	*2.3	Limousine services.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1981	*2.4	Operations of small claims courts.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1981	*2.5	Questionable practices.	Implemented.
		Civil Service Commission	
1981	*2.6	Review of Staff Training Services and Staff Development Centre Activities.	Substantially implemented.
		Ministry of Community and Social Services	
1981	*2.7	Control deficiencies re service agreements.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1981	*2.8	Potential for duplication of functions.	Implemented.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN PREVIOUS ANNUAL REPORTS—CONTINUED

(See Note)

Report	Section	Caption	Status as at Date of Preparation of 1982 Auditor's Report
		Ministry of Consumer and Commercial Relations	
1981	*2.9	Deficiencies in Lotteries Branch reporting system.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Ministry of Correctional Services	
1981	*2.10	Allocation of probation officers.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Ministry of Energy	
1980	*2.7	Comments on management and delivery of Energy Conservation Program.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1981	2.12	Management control deficiencies re word processing centre.	Status to be verified at time of next audit in this area.
1981	*2.13	Non-compliance with procedures and other matters re purchase of consulting services.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Ministry of Government Services	
1981	*2.14	Disposition of Parkway Belt West—related lands.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1981	*2.15	Refinements in contingency plans recommended re Government Computer Centres.	Not implemented—see comment in section 2.9 of this Report.
		Ministry of Health	
1981	2.16	Operational improvements recommended re Ambulance Services Branch.	Status to be verified at time of next audit in this area.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN PREVIOUS ANNUAL REPORTS—CONTINUED

(See Note)

Report	Section	Caption	Status as at Date of Preparation of 1982 Auditor's Report
		Ministry of Labour	
1981	2.17	Improvements in Affirmative Action Program delivery recommended, Women Crown Employees Office.	Status to be verified at time of next audit in this area.
1981	2.18	Potential for duplication of effort and performance appraisals, Women's Bureau.	Status to be verified at time of next audit in this area.
		Ministry of Municipal Affairs and Housing	
1981	*2.19	Matters related to efficiency of Technical Services Division.	Implemented.
		Ministry of Revenue	
1981	*2.20	Systems and other deficiencies re payment of Ontario Pensioners Property and Sales Tax Grants.	Partially implemented—see comment in section 2.19 of this Report.
		Provincial Secretariat for Social Development	
1981	*2.21	Comments and recommendations re Experience Program.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN PREVIOUS ANNUAL REPORTS—CONTINUED

(See Note)

Report	Section	Caption	Status as at Date of Preparation of 1982 Auditor's Report
		Ministry of the Solicitor General	
1981	*2.22	Overexpenditure of various activities.	Implemented.
		Ministry of Transportation and Communications	
1981	*2.23	Implementation gaps re Strategic Policy Development and Planning Process.	In process of implementation—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1981	*2.24	Simplification of workload and improvements in internal controls recommended, Vehicle Licensing System.	In process of implementation—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1981	*2.25	Weaknesses in agents' direct deposit system.	In process of implementation—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Crown Agencies	
1981	*3.5	Improvements in monitoring of loans recommended, Eastern and Northern Ontario Development Corporations.	In process of implementation—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1981	*3.7	Review of selected operational matters, Ontario Economic Council.	Substantially implemented.
1981	*3.8	Improvements in administration of mortgages recommended, The Ontario Junior Farmer Establishment Loan Corporation.	Not considered practicable by Ministry, as explained at the May 22, 1982 Standing Public Accounts Committee meeting.
1981	*3.9	Prevailing weakness in purchasing system, Ontario Northland Transportation Commission.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1981	*3.10	Potential unrecorded revenue, Ontario Place Corporation.	Partially implemented—any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN PREVIOUS ANNUAL REPORTS—CONTINUED

(See Note)

Report	Section	Caption	Status as at Date of Preparation of 1982 Auditor's Report
		Crown Agencies (Cont'd)	
1981	*3.11	Deficiencies in control and disposal of salvaged goods, Star Transfer Limited.	Substantially implemented.
1981	*3.12	Improved internal and administrative controls recommended, Urban Transportation Development Corporation Ltd.	Substantially implemented.

NOTE: This Exhibit provides the status of all suggested corrective action and recommendations which were:
- (a) considered unresolved per Exhibit 8 of the 1981 Auditor's Report,
- (b) contained in the body of the 1981 Auditor's Report.

* Considered resolved by this Office as at September 30, 1982, the date of this Report.

EXHIBIT 10

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1982 Auditor's Report
July 10, 1975	Management Board of Cabinet—Computer Guidelines: The Committee also recommends again most strongly that adequate guidelines be drawn up with respect to the use and security of information used and stored by the government computer service.	Section 55-2-5 of the Manual of Administration presently includes general policies regarding the security of data in computer systems. With respect to guidelines concerning the use of information at the government computer centres, the Secretary of Management Board of Cabinet advised us as follows on July 23, 1982: *". . . the item on the 'use and security of information used and stored by the computer centres', has been held in abeyance pending the introduction of legislation on Access to Information and Protection on Personal Information by the Honourable N. Sterling, Provincial Secretary for Justice. While staff of the Management Board Secretariat have worked closely with the Minister during the development of the draft Bill, further efforts have been delayed pending a decision on the introduction of draft legislation in the Legislative Assembly. The draft legislation contains a number of provisions to ensure protection of personal, confidential and sensitive information. Any guidelines would have to be consistent with these provisions."*
December 9, 1980	Ministry of the Solicitor General—Policing Services: On the question of policing, the Committee recommends that the Ministries involved move without further delay to arrive at a rationalized and equitable means of financing policing services on a consistent basis.	On July 9, 1982 the Deputy Solicitor General wrote to us as follows: *". . . the Interministerial Committee comprised of representatives from Treasury and Economics, Municipal Affairs and Housing and this Ministry was*

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1982 Auditor's Report
		expanded to include additional ministry representatives and also representatives from Management Board Secretariat. *"In February of this year, the Honourable George W. Taylor was appointed Solicitor General, and as a result of a briefing to him, we are now involved in pursuing a number of options which could result in the elimination of many of the inconsistencies. The issues are complex and no single, simple solution is available to satisfy all interested parties at the various levels of government.* *"It is hoped that by early August an interim report will be submitted to the Management Board of Cabinet which will outline the issues and will offer a selection of options available to the province to achieve various levels of success in eliminating the problem."*
December 9, 1980	Office of the Premier—Public Opinion Polls: The Committee recommends that the Premier set down a specific policy on access to polls in accord with the conclusions reached in Background Paper Number 13, entitled "Freedom of Information and the Policy-Making Process," of the Commission on Freedom of Information and Individual Privacy.	On June 30, 1982 the Deputy Minister, Office of the Premier and Secretary of the Cabinet advised us as follows: *". . . the Government has not yet announced the provisions that will be included in any legislation related to 'Freedom of Information and Individual Privacy'.* *"As a result, my comment on the recommendation contained in the December 9, 1980 Report of the*

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1982 Auditor's Report
		Standing Public Accounts Committee concerning government policy related to the release of public opinion polls commissioned by government ministries remains as set out in my letter to the Provincial Auditor of August 17, 1981.'' In that letter, it was stated that: *''. . . the Government's position, until such time as such steps are officially announced, will be to follow the pattern which has been established over the past few years—that is, to respond to specific questions about government commissioned polls in accordance with the Standing Orders of the House, and to leave the actual release of polling data to the Ministries which are involved.''*
December 14, 1981	Ministry of Northern Affairs—Northern Communities Assistance Program: *(a) The Ministry should take further steps to improve the estimating procedures for construction of municipal facilities under the Northern Communities Assistance Program. *(b) The Ministry should ensure that, except in very unusual circumstances, the responsibility for payment of cost overruns on such projects lie with the local municipality.	On January 21, 1982 the Deputy Minister of Northern Affairs wrote the Chairman of the Standing Public Accounts Committee: *''This Ministry accepts the recommendations of the Public Accounts Committee . . . and steps have been taken to implement them.''*

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1982 Auditor's Report
December 14, 1981	Ministry of Consumer and Commercial Relations—Liquor Licence Board:	The Deputy Minister of Consumer and Commercial Relations, on February 3, 1982, advised the Chairman of the Standing Public Accounts Committee as follows:
	*(a) All arrangements for the salary, benefits and expenses for the Chairman of the Board should be clearly set out in writing. Full time Board personnel should be required to locate in the vicinity of their empolyment and, if not, commuting costs should be borne by the employee.	*(a)* ". . . *Order-in-Council 1929/81, dated June 30, 1981, clearly established the salary and benefits for the existing Chairman of the Board. Expenses permitted for reimbursements by that Chairman, are as provided for in the Ontario Manual of Administration, inasmuch as there is no specific exception to that indicated in the above Order-in-Council.* "*Full-time employees of the Board are required to locate in the vicinity of their employment, and are not paid commuting costs. The Board's existing policy continues to parallel and conform to the provisions of the Ontario Manual of Administration in this respect.*"
	*(b) The Board should ensure that any outside counsel be retained in accordance with section 50.8 of the Manual of Administration.	*(b)* "*I am further informed by the Chairman of the Liquor Licence Board of Ontario that since April 1, 1981, no outside counsel have been engaged on purely legal matters. I have his written assurance that the policy of the Board relative to the enagement of counsel will be done according to the provisions of the Manual of Administration.*"
December 14, 1981	Ministry of Treasury and Economics—Accounts Receivable:	Regarding (a), the Treasurer of Ontario wrote to the Chairman of the Standing Public Accounts Committee as follows on February 12, 1982:

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1982 Auditor's Report
	(a) The Government should institute a uniform policy of charging interest on overdue accounts; the rate of interest should be set at a realistic level, and reviewed periodically.	*"My staff advise that enabling legislation would be required to permit charging interest not specifically authorized as in the taxation statutes, and are currently developing proposals for my review."* On July 13, 1982 we were further advised by the Deputy Minister of Treasury and Economics that: *"We have a preliminary draft of an enabling section for the Financial Administration Act which, together with certain other housekeeping amendments, will be presented for the Treasurer's consideration for inclusion in the Fall legislative calendar."*
	*(b) The current Government policy, as set out in Accounting Policy Instruction 504.2, whereby overdue accounts are to be referred to the Central Collection Service after 90 days, should be rigorously followed.	Regarding (b), any significant non-compliance situations noted during the course of our Ministry audits will be included in our annual reports to the Legislature.
December 14, 1981	Ministry of Energy—Energy Conservation Program: *The Government should take all possible steps to eliminate overlapping between the mandate of the Ministry of Energy and the activities of other ministries and also to eliminate any duplication of effort between the Ministry and the Government of Canada.	In a letter to the Chairman of the Committee dated March 19, 1982 the Deputy Minister of Energy stated: *". . . The Ministry of Energy focuses primarily on questions of policy development, research, program planning and funding; while other ministries concentrate on program implementation and delivery mostly funded by the Ministry of Energy . . . Since joining the Ministry, I have embarked on a series of discussions with my fellow deputy ministers which I believe will further help to clarify the specific roles of our ministries and will prevent duplication in their activities.*

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1982 Auditor's Report
		". . . I want to assure you and your committee that in the Ministry of Energy we will make every effort possible not to allow duplication with Federal programs. We are fully conscious of the importance of cost-effectiveness in program delivery."
December 14, 1981	Management Board of Cabinet—Conflict of Interest Rules: *The Committee is concerned that conflict of interest is not being regarded with due attention in government agencies and therefore endorses the recommendation of the Fourth Report of the Standing Committee on Procedural Affairs on Agencies, Boards and Commissions: That the Chairman of the Management Board of Cabinet introduce during the 32nd Parliament legislation establishing rules governing conflict of interest with respect to all agencies, boards and commissions of the Government of Ontario.	The Secretary, Management Board of Cabinet, advised the Chairman of the Standing Public Accounts Committee as follows on February 16, 1982: *"The Manual of Administration contains a policy whose purpose is to provide conflict of interest guidelines for Government appointees to agencies.* *"On December 1, 1981 the Honourable George McCague wrote to all Ministers requesting that they make all agency heads aware of the guidelines.* *"The Secretariat is currently reviewing the Conflict of Interest Policy in light of the Committee's recommendation."*
December 14, 1981	Civil Service Commission—Performance Appraisals: *(a) All performance appraisals for government employees should be done in writing and appended to the employees' personnel files.	The Chairman of the Civil Service Commission wrote as follows to the Chairman of the Standing Public Accounts Committee on February 3, 1982: (a) *"When the Civil Service Commission developed this critical policy, effort was spent to make sure it reflected a vital and manageable process.*

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1982 Auditor's Report
		"Specifically, we consciously sought the opinion of ministries, other public sector representatives and the private sector. In addition, we thoroughly researched the field for the latest in behavioral science findings. Our aim was to fashion a realistic policy which would be willingly implemented within the government. *"Based on this research and to promote the most meaningful discussions between the supervisor and subordinate, we consciously refrained from requiring written appraisals as part of the government-wide policy."*
	*(b) The Committee recognizes that it is not the function of an internal auditor to conduct performance appraisals. This is the responsibility of managers. However, in the future internal audit reports might be used as tools in performance appraisals.	*(b) ". . . I would agree that the objective view of management practices which a good Audit Report provides, may be very useful in the review of performance and setting of expectations for the managers involved. I will draw the point to the attention of ministries."*
December 14, 1981	Civil Service Commission—Absenteeism: *The Commission should conduct a thorough review of the problem of absenteeism in the civil service, and then institute changes appropriate to reduce absenteeism.	On February 3, 1982 the Chairman of the Civil Service Commission advised the Chairman of the Standing Public Accounts Committee that: *". . . the Civil Service Commission has been analysing and reporting on absenteeism, in detail to each ministry, since the inception of the computerized 'Central Attendance Recording System' in 1978, and are continuing the review and development of additional initiatives to reduce absenteeism."*

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1982 Auditor's Report
December 14, 1981	Management Board of Cabinet—Internal Auditing:	In a letter dated February 16, 1982, the Secretary, Management Board of Cabinet advised the Chairman of the Standing Public Accounts Committee that:
	*(a) Management Board should continue to assist in and monitor the implementation of the recommendations made in the Report of the Task Force on Audit Policy, in particular recommendation 5, which states: the director of the internal audit function should report to the deputy minister or to another senior executive who reports directly to the deputy minister. In the latter situation, the director should have ready access to the deputy minister.	*(a)* *"The Secretariat is continuing to assist in and monitor the implementation of the recommendations of the Task Force on Audit Policy.* *"With respect to recommendation 5 of the Task Force Report, the suggested reporting relationship is currently in place in 16 out of the 18 ministires which have an internal audit function. The situation in the remaining two ministries is under consideration."*
	*(b) The process of internal auditing should be applied more fully to transfer payments, and, wherever practical, standards should be set for the internal audit of such payments.	*(b)* *"We are in general agreement with the intent of this recommendation.* *"However, the implications of the recommendation and the manner in which it might be implemented require careful consideration. The recommendation has significant implications not only in respect to relations between the Province and the recipients, but as well for the supply of trained auditors and auditing costs. Organizations receiving transfer payments differ widely as to size, degree of autonomy, internal administrative resources, auditing requirements, etc. Thus, more than one approach to implementation might be needed.* *"The Management Board has established a Task Force of senior officials to give these mat-*

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1982 Auditor's Report
		ters the careful consideration which they deserve. The Task Force is to report to the Board identifying the various alternatives for auditing transfer payment recipients.''
December 14, 1981	Management Board of Cabinet—Computer Facilities: *The Committee recommends that Management Board Secretariat be invited to present to the Public Accounts Committee the initiatives and directions that are being taken by the Ontario Government in Management Information Systems and related technologies.	The Secretary and senior officials of the Management Board Secretariat made a presentation at the Committee's May 6, 1982 meeting.
December 14, 1981	Office of the Provincial Auditor—Computer Reviews: *The Committee recommends that the Auditor select two large and two small ministries (based on their data processing budgets) for the purpose of reviewing 1) Project evaluation re computer conversion projects; 2) Control of information, and 3) Ratio of internal vs. external processing work, and report back to the Committee with his findings.	Reports dealing with the Ministries of Environment and Correctional Services were presented to the Committee on May 20, 1982 and were reviewed at the Committee's June 17, 1982 meeting. Similar reports dealing with the Ministries of Health and Revenue will be filed with the Committee this fall.
March 11, 1982	Legislative Assembly—Established Programs Financing: *In consideration of the decision of the federal government to change the existing Established Programs Financing legislation and the direct effect this will have upon our health, social welfare and post-secondary education programs, the Committee recommends:	The contents of this Report were debated in the Legislature on April 22, 1982, following which the Report was adopted.

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1982 Auditor's Report
	That the government of Ontario consider proposing as soon as possible the necessary time for a debate in the Legislature to provide opportunity for a full examination by the members of the provincial parliament of the impact of the proposed changes, and that the government of Ontario request the government of Canada to rescind its decision to act unilaterally on this fiscal arrangement by reopening its negotiation with the province in order to restore a climate of co-operative federalism, ensure maintenance of existing levels of services in health, social welfare and post-secondary education and to avoid undue increases in fiscal and economic disparities.	

NOTE: This Exhibit includes the status of recommendations contained in all Reports of the Standing Public Accounts Committee from July 10, 1975 to December 9, 1980 which were considered unresolved by the relevant ministry or agency per Exhibit 9 of our 1981 Report. The Exhibit also includes the status of all recommendations contained in the Committee's December 14, 1981 and March 11, 1982 Reports to the Legislature.

* Considered resolved by ministry or agency as at September 30, 1982, the date of this Report.